

JPRS 80657

26 April 1982

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2263

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SOCIAL, SUPPLY PROBLEMS CAUSED BY INDUSTRIAL CONCENTRATION

Sofia NOVO "REME in Bulgarian No 3, 1982 pp 22-33

[Article by Angel Bruchkov: "Problems in Improving the Conurbation System"]

[Text] Under the conditions of the integrated intensification of the national economy, the rationalization and planned regulation of the conurbation system represent one of the most difficult interdisciplinary problems in the economic growth and increased standard of living of the people. For precisely this reason, the BCP in its economic policy has always given exceptionally great importance to the questions related to the spatial projection of the productive forces and the conurbation system. At the December (1972) Plenum, for the first time a scientific basis was established for the question of utilizing the advantages of the conurbation systems and particularly the conglomerations. The March (1977) Plenum of the BCP Central Committee was totally devoted to the problems of the conurbation system; this plenum outlined the strategic tasks in this area. It provided fundamentally new ideas concerning the directions to improve the conurbation system, in reflecting the objective needs of our social development.

The importance of the problem involving the rational development of the conurbation system is determined by the place which it holds in shaping the integrated national economic complex and by its influence on the efficiency of social production and ensuring the necessary conditions for raising the standard of living of the population and the all-round development of the human personality. Changes in the conurbation system and its structural elements are organically related and subordinate to changes in the forms of the territorial organization of social production and depend directly upon the creation of the various ranks of territorial-production systems.

However, at the same time the conurbation system has a certain relative independence, it has its own characteristic features and development patterns and once created has an inverse effect on the further territorial placement of the productive forces. The created economic potential in the population points, the sectorial structure of the operating enterprises, the existing production apparatus and subsystems in the production and social infrastructure, the availability of facilities for introducing new production and a highly skilled labor force have an inverse effect on the territorial placement of production. Thus, the conurbation system becomes a powerful factor for improving the territorial organization of the productive forces. The active inverse ties between the spatial organization of the productive forces and the conurbation network will grow continuously under the conditions of the accelerated

intensification of the national economy. While during the first decades of predominantly extensive development in the Bulgarian economy and the creation of a major material and technical basis the territorial placement of the productive forces determined the development directions of the conurbation system, under the conditions of the intensification of economic growth the conurbation system and its structural elements will have a growing impact upon the localization of production capacity. The tasks posed by the 12th BCP Congress require that the existing reserves be more fully disclosed for the efficient development of the conurbation system as an important subsystem in the national economic complex.

As a result of the correct economic and social policy carried out in the area of the territorial organization of the productive forces, over the last 20-25 years substantial progressive changes have occurred in our nation in the development of the conurbation system both as a whole and for its basic structural elements.

In the first place, there has been the extensive prospecting for and exploitation of the ferrous and nonferrous metal ores, inert materials, coal, oil and gas fields and so forth and all of this has significantly expanded the raw material and energy base of our industry. Exceptionally favorable conditions have been created for developing the extracting sectors and for the more rational placement of the related types of production. On this basis there has been accelerated economic and social development in a number of population points in the Rhodope, Southwestern and Southeastern Bulgaria, the Sredna Gora Area and elsewhere.

Secondly, as a result of the on-going improvement in the forms of the territorial organization of the productive forces, there has gradually been the building up of industrial and conurbation conglomerations of varying degrees of maturity, representing a higher form of settlement systems. The Sofia, Plovdiv, Varna, Burgas, Veliko Turnovo and other conglomerations have assumed important significance in the territorial national economic structure. Real opportunities have been opened up for strengthening the intraconglomeration division of labor, for rationally utilizing the advantages of the territorial concentration of basic and auxiliary production, for regulating the growth of the conglomeration centers and on this basis increasing economic and social efficiency. By the development of the transport and utility subsystems in the conglomerations, conditions have been created for further applying the acquired skills of the younger population in the smaller population points and for the penetration of the urban way of life in them.

Thirdly, with the administrative and territorial reorganization of the nation in 1959, substantial progressive changes were made in state and economic management. The large scale and important economic base created in the okrug centers has led to positive structural changes in the territorial placement of the productive forces. These have been turned into an important element in the national structure of the conurbation system.

Fourthly, in accord with the patterns and basic principles in the territorial placement of the productive forces under socialism, in a number of the medium-sized and smaller towns, industrial enterprises and shops have been set up. Substantial changes have also occurred in the national economic functions of most of our towns and cities. The relative place of agriculture has declined with the constantly strengthening development of industry and the sectors of the service sphere. The problem of electrifying and supplying water to the population points is being solved.

Significant improvement have occurred in their public amenities. The appearance of our towns and villages has changed fundamentally. Positive changes have been made in the monetary income of the population in the individual territorial units. Living conditions in the smaller population points have been constantly approaching those in the larger towns. The real prerequisites have been created for gradually overcoming the essential differences in the living and working conditions in the individual territorial units between city and countryside.

Fifthly, by a gradual transition from the extensive to the intensive development path, we have significantly overcome the process of the rapid and not sufficiently controlled flow of migration to the larger okrug centers and to the city of Sofia. This has eliminated some of the negative consequences related to the unjustifiably rapid growth of the large cities.

Sixthly, the tendency to reduce and in certain instances eliminate the mechanical loss of the population from the smaller towns of the nation has assumed a more permanent and steady nature. This has been achieved as a result of creating new jobs predominantly in the industrial subsectors and by the more rational use of factors relating to the territorial placement of the productive forces.

Regardless of the positive changes in the previous development and the improvement in the conurbation system and its basic structural elements, there still are a number of economic and social problems. At the present stage of our socioeconomic development, some of the most important irrational aspects in the creation of the conurbation system can be generalized in the following way.

In the first place, the problems related to the development and functioning of the conglomerations and the towns which are large for our conditions. One of the negative aspects of the created or developing conglomerations is the high concentration of the economic and demographic potential in the basic conglomeration cores. This does not make it possible to fully utilize the advantages of this progressive form of territorial-production and conurbation formations.

As a result of the appearance of certain unfavorable trends in the territorial concentration of production, in certain instances this has led to a high concentration within the okrug. For example, exceptionally high is the industrial concentration level in the city of Ruse where virtually the entire industrial potential of the okrug has been concentrated in its center. There is an analogous situation in Varna--Devnya where a predominant share of the okrug's industry is concentrated. Although to a lesser degree, this tendency is also to be found in a number of other okrugs such as Silistra, Tolbukhin, Razgrad, Kurdzhali and Vidin where around 80 percent of the industrial production has been concentrated in the okrug towns. This has not made it possible in the designated territorial units to achieve greater equilibrium in the placement of social production and has led to a relative lag in the socioeconomic development of certain population points.

Secondly, in some of the strongly developed industrial centers, they still have not overcome the concentration of production units which lack close production and technological ties.

An analysis of the trends in the previous occurrence of the process of industrial territorial concentration provides grounds to point out that in a number of instances there still has not been the necessary coordination of the production units in the large towns. The building of industrial centers predominantly in the large towns with poorly expressed production and economic ties has not made it possible to fully bring out the advantages of production territorial concentration. This has involved greater production expenditures in the individual phases of the reproduction process.

Thirdly, the accelerated construction of production capacity at large installations of national significance and the broadening of the functions carried out by the cities has led to their increased demographic potential. As a result of this there has been a significant rise in the demand for certain resources with multipurpose use such as construction sites, water and labor resources. In certain instances this has led to their depletion.

The high economic growth rates of Sofia and the other cities chiefly by extensive ways has caused tension in the labor resource balance. The manpower shortage in them has been made up chiefly by bringing in the younger population from the smaller towns and villages. This has led to a significant rise in the population of the capital and the other cities, and this has been exclusively a mechanical rise. Over the period of 1965-1979, the absolute growth of Sofia's population reached 220,000, while in Plovdiv it was 129,000, in Varna 127,000, in Ruse 65,000, in Burgas 62,000 and so forth. As a total for the period, the absolute mechanical increase in the capital's population reached 115,000, in Varna it was 91,000, in Plovdiv 88,000, in Ruse 45,000 and in Burgas 37,000. Obviously, in the largest cities of the nation during this 15-year period, along with a comprehensive solution to problems relating to the population living in them, it has been necessary to make an enormous effort to provide conditions for the functioning of the entire "new towns" with on the order of 50,000-100,000 inhabitants.

A certain disproportion has developed between the needs of the increased population in the cities and the capacity in the existing subsystems of the social infrastructure. Hundreds of millions of leva in capital investments had to be spent to overcome just a portion of these disproportions. The insufficient supply of social infrastructure facilities for the population of Sofia and the other cities has created an additional strain in the nation's investment program.

The growth and functioning of Sofia and the other cities with a population over 100,000 inhabitants have involved the investing of large capital investments. In 1976, 24.1 percent of the nation's population was concentrated in these cities but almost one-half of the social infrastructure investments were spent in them. In recent years the ratio between the one-shot outlays made in industrial subsectors and those for the social infrastructure has been 1:2.37 in Sofia, 1:1.1 in Plovdiv, 1:0.8 in Burgas and so forth. The calculated elasticity coefficient for the city of Sofia is 11.6 and this indicates that with a 1 percent increase in the capital's population there will be a rise of 11.6 percent in the capital investments for the social infrastructure. For cities with a population over 100,000 inhabitants, the elasticity coefficient is 8.1 percent, while for those with a population from 10,000 to 25,000 inhabitants, just 5.4 percent. These substantial differences in the "social price" of creating and operating the individual size groups of the cities

and their conurbation systems are indicative and cannot help but be taken into account in determining the future development of the conurbation system.

Fourthly, we have still not completely overcome certain unfavorable trends in the economic and social processes in the population points of the extreme southern and western regions of the nation. In many settlements of Burgas, Yambol, Kurdzhali, Vidin, Sofia and Pernik okrugs, as a result of the occurring permanent mechanical loss of the population, important economic, social and demographic problems have arisen. In many of the settlements there has been depopulation and a deterioration of the sex-age structure with all the ensuing unfavorable consequences of an economic, social, demographic and other nature.

Fifthly, the clearly expressed dispersed nature of the conurbation system gives rise to serious problems in its further improvement. From the economic and social viewpoint it cannot be considered rational to have the existence of around 2,800 population points with a population under 500 persons in which a total of 546,000 persons live. Here the number of population points with a population of under 200 persons is 1,536 with a total population of 121,000. Located chiefly in the mountainous and semimountainous regions of the nation, these settlements are unable to offer good conditions for labor, life and leisure meeting the requirements of a mature socialist society. Their existence in the future will involve either significant additional expenditures of capital investments or the maintaining of the standard of living for the population living in them.

Under the conditions of the constantly growing role of scientific and technical progress, of the deepening social division of labor and the increased economic efficiency of the national economy, it is more and more essential to apply a new approach in solving the problems related to the development and management of the conurbation system. There is a social need for its restructuring in order to increase the efficiency of its functioning and to create conditions for solving important social problems. All of this determines the real need to treat the population points with varying economic development, different functions performed, a varying concentration of population and so forth in an integrated manner, in unified conurbation systems.

The basic theoretical and methodological premises on the essence and advantages of the conurbation systems were elaborated by Comrade Todor Zhivkov who pointed out that "the creation of conurbation systems is a fundamentally new aspect in the development of the conurbation network. The conurbation system is a qualitatively new object in comparison with the individual city as well as with a group of population points which are administratively united. It represents a unified social organism in which the population points are united by common production activities, common services and unified transport. A conurbation system encompasses population points the economic and social ties of which are continuously strengthened and are viewed as a single whole in resolving the socioeconomic, territorial-development, urban development and cultural problems."¹

¹T. Zhivkov, "Izbrani suchineniya" [Selected Works], Vol 25, p 176.

In proceeding from the fundamental ideas on the content of the conurbation systems given by Comrade T. Zhivkov and carried out in the decisions of the March (1977) Plenum of the BCP Central Committee, it is essential to have further profound work on fully disclosing the economic, social, territorial development and other advantages of the conurbation systems. This requires the strengthening of the economic might in the conurbation systems, the disclosure and maximum utilization of all existing reserves for their on-going improvement, for increasing the efficiency of social production and raising the standard of living of the population. The viewing of the conurbation systems in a dialectical link with the formation and development of the territorial-production complexes must lead to increased economic, social and ecological effectiveness of their functioning. The reason is that the use of the advantages of the conurbation systems, as a new, objectively established progressive form for the territorial organization of the population points, is one of the basic directions for improving the national conurbation network.

In confirming the previous positive trends in the development of the conurbation network, first its structural elements must be developed and improved on a broader basis. It is essential to bear in mind the changes which will occur in the sectorial and territorial national economic structure, in the raw material and energy sources, in the ratio between the urban and rural population, in the functioning systems of the population points, the directions of migration processes, the specific conditions of national development and so forth.

The basic directions for rationalizing the conurbation network must be outlined on a basis of assessing and analyzing the basic factors which determine the directions of its development and change. The analysis encompasses both the basic trends in its previous development as well as the disclosure of future changes in the territorial and sectorial national economic structure as these changes will determine the scale and nature of economic development and particularly of the territorial-production complexes.

In carrying out the decisions of the March (1977) Plenum of the BCP Central Committee, by further development of the conurbation network, it is essential to aid, on the one hand, in improving the social structure of social production and raise the standard of living of the public and, on the other, in overcoming the negative aspects of the previous structure of the conurbation network.

The general trends in the future development and improvement of the conurbation network on a national scale will be determined by the following: the development and improvement in the forms of the territorial organization of the productive forces under the direct impact of scientific and technical progress and primarily by the formation of the basic production infrastructure facilities, by the rate of urbanization, and by the necessity of solving economic and social problems engendered by certain irrational aspects in the former development of the network of population points.

The further development and improvement of the settlement network must be aimed at achieving the following goals:

a) Overcoming the discovered negative trends in the former development of the conurbation network;

- b) Making maximum use of the advantages of the conurbation systems as a highly effective form in the territorial organization of the population points and their structural elements;
- c) The ever fuller and more effective use of territorial resources in the population points and conurbation system;
- d) Gradually overcoming the existing differences between city and countryside and providing good living conditions for the population and the all-round development of the human personality;
- e) Ensuring an ecological equilibrium of the population points and conurbation systems.

For the structuring of the network of population points in the conurbation systems, for making maximum use of their advantages and for their further development as well as for forecasting and management it is essential to create favorable conditions for increasing economic and social efficiency. In this regard an important place is held by the joint construction and operation of interrelated enterprises in the conurbation systems and by this method expenditures of social labor can be significantly reduced in the individual phases of the reproduction process. The economic effect from the intercoordinating of functioning enterprises in the conurbation systems is chiefly apparent in the result of the successive processing of the initial raw material and fuel and in the employment of the obtained industrial and other wastes, that is, by the integrated use of the subjects of labor.

An increased level of specialization and concentration in the auxiliary and servicing systems provides significant reserves for increased efficiency in the operation of the conurbation systems (particularly for those which are industrially well developed). In the conurbation systems and particularly those which have achieved a high level of industrial development and concentration, there are favorable conditions for increasing national economic efficiency by separating some of the auxiliary activities into large, specialized and highly productive enterprises. There are opportunities in this regard in producing tools and tool sets, spare parts, repair and mechanical activities and so forth. The end economic results from releasing the industrial enterprises from a number of auxiliary activities and the separating of these in large specialized production units (within a group of conurbation systems) are expressed in a multiple increase in the volume of produced tools, spare parts and performed repairs, in the increased load factor for machinery and equipment, in a reduction in the employed personnel, in a reduction in the size of production areas, in reduced product costs and ultimately in increased labor productivity.

Under the conditions of the creation and improvement of the conurbation systems, there are opportunities to increase economic efficiency as a result of the joint group operation of unrelated industrial enterprises which utilize the same infrastructure facilities. Regardless of the existence of an unique production and technical "isolation" of such enterprises, they are united by a common territory understood as a condition for economic development. With the group construction of industrial enterprises and with their joint placement on a limited territory, conditions are created to realize an additional economic effect as a result of utilizing common central heating, water supply and sewage facilities, unified utilities, for

saving on the built-up area, by the better organization of the treatment of waste water, by the increased reutilization of the water and so forth.

In this area significant work has been done in studies on territorial specialization and concentration of production with the application of the multiplier approach. It is essential that the obtained results and the proposals stemming from this be more boldly introduced into practice in the aim of realizing the proven economic and social effect.

An important condition for the rational employment of the advantages of the conurbation systems is the development of the social services subsystems. The development level and the degree of providing the population of the conurbation systems with various types of services must satisfy the standards approved in these areas. An essential requirement in setting up the social services subsystems is the providing of an organization which would lead to a maximum savings of time for the consumers of the individual types of services. In this area an exceptionally important role will be played by transport services in the conurbation systems and the level of its organization. Thus, the creation and rational territorial organization of the material and technical base for social services in the conurbation systems must be turned into a real factor for increasing the standard of living for the population.

The further improving of the conurbation systems directly involves the rational use of one of the basic multipurpose resources in the territorial units, the labor resources. It is essential to have a sectorial and spatial redistribution and employment of the labor force which would meet the effective structure of social production in the conurbation systems, the present requirements for intensifying the economy and the particular features of shaping the labor potential in the territorial units. Along with satisfying the criterion of raising economic efficiency from the employment of the labor resources, an improvement in the employment structure must lead also to the solving of important social problems in the conurbation systems.

In rationalizing the network of population points, a particularly important place is held by the economically and socially most developed conurbation formations, that is, the conurbation systems of the "A" group.² This is determined by the achieved development level of the strongly developed conurbation systems and the opportunities which they provide for intensifying the territorial organization of the population points with the aim of further increasing their activities.

One of the important areas for improving the conurbation network is the ever fuller employment of the advantages of the conglomerations. The leading principle in this regard must be the instructions of Comrade T. Zhivkov that "territorial concentration and specialization must be combined with product-production concentration and specialization. This creates conditions for the organized development of territorial-production complexes [TPK] and conglomerations...."³

Under the decisions of the March (1977) Plenum of the BCP Central Committee, three groups of conurbation systems were established: group "A" or formed systems, group "B" or those in the process of formation, and group "C" or those which will be formed.

² T. Zhivkov, op. cit., Vol 25, p 137.

By the conglomerations, an on-going territorial unification of industry and agriculture is ensured as well as the more rational use of the territories between the settlements. In this manner the advantages of the urban way of life are combined with the natural advantages of the countryside. With the spread of the influence of the large cities on the adjacent continuously urbanizing territories, an opportunity is created for the greater and more complete penetration of the urban way of life into the countryside. In turn, the countryside and its surroundings will provide their natural gifts, recreational zones and so forth to the urban population, and with the appropriate organization they will be used more rationally and by a larger number of users. The improvement of the conglomerations makes it possible to overcome the former relatively self-contained nature of the cities and particularly of the villages and a system of population points is created that is more efficient from the economic and social viewpoint.

The problem of controlling the development of the largest and most developed conurbation systems and their centers such as Sofia, Plovdiv, Varna, Ruse and others, holds an important place in the strategy of improving the nation's conurbation network. This question was raised with particular urgency in the decisions of the March (1977) Plenum and in the theses of the 12th BCP Congress.

The capital, with its enormous economic potential and diversity of performed functions, has a great impact on the development of the conurbation systems both in the southwestern TPK as well as on the conurbation systems in the adjacent TPK. For this reason the further control of the Sofia conurbation system will lead both to its improvement as well as to the more rational creation of the national conurbation system as a whole.

The achieved high level in concentrating production capacity and the demographic potential in the core of the Sofia conglomeration necessitate a certain territorial restructuring and reallocation of economic functions between the elements of our largest conglomeration.

Due to the great economic strength of the Sofia conglomeration, the force of its influence is not restricted to just the territorial units located in direct proximity to the capital but rather encompasses a much broader area. The integration strength of the conglomeration is significantly apparent in the okrugs located around it which have a significantly lower level of economic and social development, that is, Sofia, Vratsa, Mikhaylovgrad, Kyustendil and other okrugs.

Due to the great attractiveness of Sofia and the resulting mechanical movement of the population from adjacent okrugs, it is advisable to create an external ring-like system of population points by which it would be possible to control the intensity of the mechanical growth of the capital. The development of the Sofia conurbation system must be carried out against a background of the ever-closer coordination with conurbation systems formed around Kyustendil, Stanke Dimitrov, Somokov, Ikhtiman, Botevgrad, Vratsa and Mikhaylovgrad.

With the creation of an external ring-like system which unites population points that differ in terms of economic development level and diversity of performed functions, greater equilibrium will be introduced into the macroconurbation system of the area. In addition, the formation of an external ring will be an unique barrier

against the further accelerated mechanical growth of Sofia's population. In order to successfully carry out the functions of zones which balance the development of Sofia, these towns and their conurbation systems must significantly broaden their economic base and create sufficiently attractive conditions for work, life and leisure. It is also advisable to increase the development level of the social infrastructure.

By creating an interrelated system of towns and their conurbation systems around the city of Sofia, real conditions will be created to obtain positive results in the following areas: the further deepening of the territorial division of labor, the economic and social development of the structural elements in the internal and external conglomeration ring, the retaining of a portion of the indigenous population of Mikhaylovgrad, Vratsa, Sofia, Pernik, Kyustendil and other okrugs, the limiting of the mechanical growth of Sofia's population and as a result of this, the realizing of a savings of significant capital investments for the social infrastructure.

Although to a smaller degree, there is an analogous question of controlling the growth of the conglomerations of Plovdiv--Asenovgrad--Stemboliyski, Varna--Devnya and certain other strongly developed conurbation formations.

Opportunities for the development and improvement of the group "A" conurbation systems also exist in the following several areas: rationalizing the created territorial organization of production and the population in the most developed conurbation formations, the ever fuller employment of their advantages in the economic attraction of the adjacent, economically less developed conurbation units, assisting in the ever deeper and more complete penetration of the urban way of life into the countryside and the gradual overcoming of differences between city and countryside.

It is advisable that the development of the group "A" conurbation systems be developed first by overcoming the existing high degree of production concentration in the larger portion of the centers of the conurbation systems. The improvement in the group "A" conurbation systems must be carried out by limiting production concentration in the corresponding centers and continuously broadening economic development of these obshtinas in spatial terms. By raising the qualitatively new level of industrial concentration in the developed conurbation systems, it is essential to provide the gradual penetration of appropriate types of production and activities in more population points outside the central core. In this manner an "external zone" of conurbation systems for the large cities will be created and through this a more rational employment of their resource potential and greater territorial proportionality in their development will be achieved. The process of creating the subcenters of the conurbation systems and the formation on their basis of the so-called external zone must also be accompanied by the on-going development of the social infrastructure subsystems in this zone and the creation of intersettlement transport. The formation of a unified economic base for the group "A" conurbation systems based upon the integration of the central core's economic potential and the elements of the external zone presupposes a continuous deepening of the intrasystem division of labor. This must be turned into one of the basic areas for improving this group of conurbation systems. Thus, the zonal type of development for the conurbation system ensures the following: proportionality in the development of the center of the conurbation system and its external zone, checking the growth of the large cities and broadening the sphere for the employment of the rural population. In this regard,

an important role is played by the improved transport infrastructure from the standpoint of increasing accessibility to the center of the conurbation system and the subcenters of the external zone. This will eliminate certain wrong, irrational professional and domestic journeys to the center of the conurbation system.

The future development of the formed conurbation systems must be carried out on a basis of the fullest employment of the advantages of territorial production concentration, the improvement of its sectorial structure and increased integration of the scientific research institutes and bases for development and introduction with the production units. By further improvement of the means of labor, efforts must be focused on decisively reducing the relative amount of employees engaged in manual labor.

A study should also be made of the question of the gradual forming of "zones" of developed conurbation systems with the corresponding centers in the extreme southern and northern regions of the nation. By such zones of conurbation systems it will be possible to create the necessary economic and social conditions for developing the population points in Burgas, Yambol, Kurdzhali, Smolyan, Blagoevgrad, Vidin, Mikhaylovgrad, Pleven, Razgrad, Shumen and other okrugs.

The requirements of the new economic approach require that in determining the directions and scale of development for the most mature conurbation systems and particularly their centers, consideration be given to the amount of the aggregate expenditures of social labor (including the expenditures on the social infrastructure) related to their economic and demographic growth.

An important area for the reconstruction of the conurbation network is the improving of the group "B" and "C" conurbation systems. The development of those which are up to the most mature conurbation formations must be carried out by their ever-closer economic intercoordination. Due to the great economic potential of some of the group "A" conurbation systems, the area of their influence is large and the weaker conurbation systems located near them can carry out the functions of the external zone. This means the fuller application of the principles for overcoming the autonomous nature of the larger towns and particularly the villages and broadening the reciprocal contacts between them. Thus, production concentration could be moved out of the large industrial centers and move into the group "B" and "C" conurbation systems. The weaker conurbation formations will be turned into the active rear of the "A" group in maintaining stronger production, economic, labor, cultural, service and other ties with them, and constantly increasing the level of their socioeconomic development.

For those conurbation systems of the "C" group which in many places over the territory of the nation are a compact mass and are more distant from the strongly developed group "A" conurbation systems, their development must be carried out by building healthy and economically strong centers which will serve as the basis for socioeconomic growth and bring together several of the group "C" conurbation systems.

It is also advisable to disclose new, additional opportunities for the joint and integrated use of the existing natural, economic and social conditions from the adjacent and nearby conurbation systems. This will create an opportunity to effectively put the resource potential into economic circulation and will provide an

even stronger rise in the economic and social development of the conurbation systems.

The policy carried out for improving the conurbation network in the mountainous regions must be of a more diverse nature. In following one of the basic directions of consolidating the very small and small conurbation units, in the mountainous and semimountainous parts of the okrugs there is an objective need to carry out studies and specific practical measures related to the economic and demographic stabilizing of the centers for the appropriate conurbation systems. Due to the sharply expressed dispersed nature of the conurbation network in the mountainous areas, there is a need to build secondary centers for the obshtinas in which modern conditions would be provided for work, life and recreation for the population from the surrounding very small settlement units.

In this regard, it is essential: on the basis of the existing natural conditions, labor resources and so forth, to study the specific opportunities for the industrial development of one portion of the conurbation systems in which enterprise divisions are not operating. The development of industrial activities is to be carried out on the basis of closer coordination with agriculture, in organizing divisions to process highly perishable and untransportable agricultural raw materials. By setting up appropriate industrial activities, the seasonal factor in agriculture can be overcome and rational employment of the labor resources ensured. The possibilities of local industry can be more fully utilized, in organizing the production of consumer goods and restoring certain traditional local crafts and activities. The social service subsystems should be expanded and strengthened in the aim of increasing the standard of living of the indigenous population. In areas with good natural and climatic conditions, possibilities should be utilized for the development of recreation and tourism.

Due to the presence of very small and small population points in the group "C" conurbation systems, we must steadily carry out a policy of gradually consolidating these settlements.

An analysis of the conurbation systems, their territorial scope, the degree of industrial development and so forth indicate that there are definite opportunities for improvement by making maximum use of their inherent internal reserves. Such opportunities are present both in the economically well developed conurbation systems as well as in the conurbation formations with a very small territorial scope, size of population and specialization exclusively in the agricultural area. The examined basic areas in the future development of the conurbation systems as complex economic and social organisms create real prerequisites for rationalizing the national conurbation system as a whole and for raising the economic, social and ecological effectiveness of its functioning.

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CSO: 2200/85

REPORT ON ECONOMIC DEVELOPMENT IN 1981

Sofia STATISTICHESKI IZVESTIYA in Bulgarian No 4, 1982

[Unattributed economic information]

[Text] General Comments

The present edition comes out once a quarter and contains annual, quarterly and monthly statistical data on the basic indicators describing the socioeconomic development of Bulgaria.

The program of statistical information covers 12 sections:

- I. Basic Data on National Economic Development
- II. Population
- III. Standard of Living of the Population
- IV. Labor
- V. Capital Investments
- VI. Industry
- VII. Agriculture
- VIII. Transportation
- IX. Communications
- X. Domestic Trade and Prices
- XI. Tourism
- XII. Foreign Trade

The data for all the sectors are given according to the organizational structure and composition of the enterprises for the appropriate period. The national economic sectors and the industrial sectors have been adjusted in accord with the classification of national economic sectors approved by the Ordinance No 309 of 19 April 1979.

Indicators given in cost terms have been published in the prices of the corresponding year. The annual indexes of industrial and agricultural product, of capital investments, of commodity turnover and trade, of foreign trade turnover and the monthly indexes for industrial product have been calculated for value in comparable prices. The annual indexes have been calculated with a base of 1970 and those for a period shorter than a year with the base of the appropriate period of the previous year.

Data on the monetary income, expenditures and consumption of households come from a representative study of the household budget.

For the current year the data are tentative and may be adjusted in following issues.

Explanations of abbreviations and signs:

- 0 — an amount smaller than one-half of the correspondingly used unit
- — no case
- . — data absent
- PAK — industrial-agrarian complex
- API — agroindustrial complex

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Economic Development of Bulgaria in 1981

During the first year of the Eighth Five-Year Plan the labor collectives from all the sectors of the national economy initiated a broad socialist competition to carry out the new, responsible tasks posed by the 12th BCP Congress.

The ubiquitous introduction of the new economic approach and its mechanism contributed to increasing the efficiency and quality of social production and the standard of living of the people.

In the basic national economic sectors, the following results were achieved:

Industry

Last year the total product of the state and cooperative industrial enterprises increased by 5.6 percent in comparison with 1980. The highest increase was realized by the state enterprises in the chemical industry with 11.1 percent followed by the machine building and metalworking industries and the pulp-paper industry with 7.9 percent, the leather, fur and footwear industry with 7.4 percent and others. Only the enterprises of the coal mining industry did not achieve the production level of the previous year by 1.4 percent. The highest increase in total industrial product was achieved by the following okrugs: Vratsa with 13.8 percent, Silistra with 12.2 percent, Blagoevgrad with 11.4 percent and others.

In 1981, production increased for such important national economic products as: electric power by 4.1 percent, rolled ferrous metals by 4.3 percent, power transformers by 10.2 percent, television sets by 22.5 percent, nitrogen fertilizers by 3.8 percent, phosphorous fertilizers by 18.9 percent, sulfuric acid by 7.9 percent and others.

Capital Investments

During the report year, 6,658,000,000 leva were invested and this was 8.5 percent more in comparison with 1980. The basic portion was invested in the material production sectors with the largest share of capital investments going into industry. During the year 2,604,000,000 leva were invested for the modernizing and reconstructing existing production capacity in comparison with 2,278,000,000 leva in 1980. This was 39.1 percent of the total capital investment volume.

In 1981, fixed capital valued at 5,863,000,000 leva was put into operation. Broken down for the sector, the highest shares were in industry, the housing-utility systems and consumer services, agriculture and transportation.

Transportation

In 1981, public transport carried 1,762,000,000 passengers which was 3.9 percent more in comparison with 1980. In comparison with the previous year, fewer passengers were carried by rail and sea transport.

Labor productivity measured by average output per person employed in operations increased in all the types of transportation as follows: by 4.2 percent in rail transport, by 7.8 percent in motor transport, by 16.5 percent in maritime transport, by 12.7 percent in river transport and by 10.7 percent in civil air transport.

Communications

In 1981, communications services realized an income amounting to 324,000,000 leva and this was 23,000,000 leva (or 7.8 percent) more than 1980.

Agriculture

On 1 January 1982, the number of head of cattle, pigs and sheep in the agricultural organizations and divisions had increased in comparison with 1 January 1981, respectively, by 505 head, 23,368 head and 162,664 head. Milk production increased by 45,567,000 liters [sic.]. In 1981, the average milk yield from a fodder cow increased to 3,054 liters in comparison with 2,974 liters in 1980. The average number of eggs laid remained on the level of the previous year.

In 1981, 64,210,000 liters more of milk were purchased from agriculture than in 1980.

Domestic Trade

Last year, retail trade realized a commodity turnover valued at 12,674,000,000 leva. This was 593,000,000 leva (or 4.9 percent) more in comparison with 1980. The greatest retail commodity turnover was realized in the following okrugs: Sofia City with 2,315,000,000 leva, Plovdiv with 1,029,000,000 leva, Burgas with 779,000,000 leva, Varna with 772,000,000 leva and others.

In comparison with the previous year, in 1981, there were increased sales of meat and meat products, vegetable edible oils, sugar, cheeses, butter, eggs, fresh fruits, olives, beer, silk textiles, garments, footwear, furniture, television sets, washing machines, home refrigerators, tobacco goods and so forth.

Foreign Trade

Bulgaria's foreign trade in 1981 reached 19,753,000,000 exchange leva which was 2,569,000,000 exchange leva (or 15 percent) more in comparison with 1980. Exports increased by 10.5 percent while imports rose by 19.7 percent.

Some 72.4 percent of the total foreign trade turnover of Bulgaria was the result of the deepening integration processes with the economy of the socialist countries.

In the structure of commodity exchange the share of exports of production-end machinery and equipment has continued to grow, reaching 45.8 percent in comparison with 44.4 percent in the previous year.

In exports, the largest share is comprised of the fuel group, mineral resources and metals with 44.4 percent in comparison with 42.9 percent in 1980.

In comparison with the previous year, Bulgaria exported more electric motors, electronic calculators, electric hoists, radio telephones, electric meters, tractors and other products. We imported more metal-cutting machines, steam and hydraulic power plants, iron, phosphorous fertilizers, footwear, washing machines, radio receivers, TV sets and other products.

The results achieved in 1981 are a good basis for carrying out the socioeconomic development plan in the current year.

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CSO: 2200/83

ECONOMIC DICTIONARY: COMPUTATION OF TURNOVER TAX EXPLAINED

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 17 Feb 82 p 3

[Economic Dictionary: "The Turnover Tax"]

[Text] The editors of IKONOMICHESKI ZHIVOT are inaugurating a new section entitled "Economic Dictionary" in order to meet the increased interest shown by our readers in a number of economic categories and concepts. This section will interpret theoretical-methodological aspects of basic and topical terminology of specific applied practical value. It will also indicate the normative stipulations updated in accordance with current legal acts.

The materials will include explanations of balance sheet profit, the formation of the funds of economic organizations, material incentive, average wage control, national income, living standard, real income, etc.

The scientific editors of this section will be Profs Dimitur Shopov and Ivan Dushanov, both doctors of economic sciences.

The editors await your recommendations and suggestions regarding the topic and quality of materials published.

The turnover tax is one of the most important forms of the centralized net income of the socialist state.

The grounds for this taxation are a special legal act--the Law on the Turnover Tax. According to this law, the turnover of state and cooperative enterprises and the enterprises of public organizations derived from the sale of goods and materials are subject to taxation and so are earnings for services rendered by such enterprises and organizations, revenue from the sale of tickets for theatrical productions and other types of entertainment (Article 1 of the ZDO [Law on Turnover Tax]). The tax is paid by the socialist organizations which have earned income from taxable turnover, deposited in their payment account or received at the boxoffice, should such organizations maintain separate accountability. Without such accountability, it is the superior organization under whose jurisdiction the subunit which has received the funds from this turnover, become the payor.

According to the law, the turnover tax can be computed in three different ways: as the differential between the retail price, minus the corresponding commercial discount, and the wholesale price; as a percentage of the turnover based on wholesale or retail prices, minus the commercial discount; and as a specific percentage per unit of measurement. The Council of Ministers has approved the rates on the basis of which the amount of the tax is computed. In accordance with the new price lists, the tax is the difference between the retail price, minus the commercial discount, and the wholesale price. The amount of the turnover tax to be paid on work and services is found in tariff "B." Tariff "C" of the Law on the Turnover Tax applies to the turnover from the income from sales of tickets to shows, entertainments, etc.

The important principal which has been defined in taxing the turnover from the sale of goods and materials is that the tax will be paid on a one-time basis only for the same commodities and materials. Each subsequent turnover of the same commodities and materials, if left unchanged, will not be taxed again.

The taxable turnover is the one expressed through the amounts received on the day of payment or at the cash register of the seller. The deadline for paying the tax to the state budget has been established by law. It depends on the amount of the tax paid during the past year and the corresponding stipulations issued by the minister of finance. Payments are due on a daily, 3-day, 10-day, or monthly basis.

A system has been organized for accountability and control over the computation and payment of the turnover tax. The law stipulates penalties for improper computation and delinquent payment of the tax. Such violations are noted with a legal document. The control organs have the right to block the payment accounts of delinquent payors and to enforce payment of the turnover tax.

According to the current economic mechanism, the turnover tax is a structural part of the overall profit which, as a synthetic value, falls within the range of centrally established indicators of the final economic results of the economic organization or its branch. According to Article 179 of the Regulation on the Economic Mechanism, approved by Decree No 53 of the Council of Ministers of the Bulgarian People's Republic of 31 December 1981, the economic organization or, respectively, its subunit, will withhold the turnover tax from its overall profits, along with other withholdings. The deposits will be made according to the rates approved by legal acts which settle questions related to the turnover tax. Consequently, under the new economic mechanism, there is no separate planned assignment approved on a centralized basis in terms of the turnover tax. Currently such a planned assignment applies to the sum total of the net income, described as overall profit. A strong economic connection exists between the accumulation of funds for current wages of the administrative personnel and the implementation of the planned assignment regarding the overall profit. This implementation is determined also by the amount of the turnover tax.

The Council of Ministers has been given the right to raise, reduce or relieve from tax enterprises, organizations, and others, for some goods, services or shows. The minister of finance has the right to waive turnover tax of a respective enterprise which must not exceed 5,000 leva per calendar year.

Legal Acts

Law on the Turnover Tax, published in IZVESTIYA NA PNS, No 91, 13 November 1951, amended and supplemented No 62, 1956; No 76, 1957; No 91, 1957; No 12, 1958; No 11, 1960; and DV, No 99, 1963; Regulation on the Application of the Law on the Turnover Tax, issued by the Ministry of Finance and published in DV, No 62, of 7 August 1979; Tariff "B" of the Law on the Turnover Tax, on the amount of the Turnover Tax on work and services and release from such tax, DV, No 83 of 25 October 1974, amended No 38, 1978; Directive on the Application of Tariff "B" of the Law on the Turnover Tax, DV, No 77 of 29 September 1978; Order No 560 of the Committee for Economic Coordination of 3 December 1970 approving a new tariff "C" of the Law on the Turnover Tax, DV, No 101 of 22 December 1970 and others.

5003

CSO: 2200/72

HUNGARIAN AUTHOR VIEWS GDR'S EFFORTS TO IMPROVE ECONOMIC MANAGEMENT

Budapest KULGAZDASAG in Hungarian No 3 1982 pp 45-56

[Article by Jeno Barsony: "The Developed Model of Plan Management in the GDR"]

[Text] At the end of the 1970's in response to world economic changes, the GDR also recognized that conversion to intensive growth is indispensable to the further development and improvement of the economic management system (as they put it in the GDR: management, planning and economic incentive). In the wake of mechanism reform experiments in the Soviet Union and other CEMA countries, but differing in certain respects, they have introduced a unique and comprehensive system of measures. We can say that following these measures they have established in the GDR a modernized and decentralized form of autarkic plan-directed economic management, which--as a consequence of the country's favorable characteristics--has realized, with relatively the greatest consistency, efforts which have also been made in other countries, and therefore many people regard it as a model of existing socialism.¹

Historically the mechanism problem arose also in the GDR in the middle of the 1960's that is, an effort at implementing the "new economic system"; but after 1968 an accelerated development, "transcendental" and "structural political" concept was emphasized. After this became doubtful, they announced for the 1970's a living standard policy (as the main trend of economic and socio-political unity).

In the report of the 9th Congress (1976) the improvement of economic management was again on the agenda, but a role was played in it only by the better use of the balance method, the drafting of enterprise five-year plans, the

¹Even though it was not declared, the character of the model was presumably conceived in the consciousness of the GDR leaders. This is indicated by the statement of E. Honecker which appeared 11 June 1981 in the NEUES DEUTSCHLAND on the expected agenda of the CEMA summit meeting. "Questions are in the forefront for which we have already begun successful solutions: the problems of the management of the economy in accordance with the most recent perceptions relating to this area; the problems of the structure of the economy, and in this connection a growth in the responsibility of the combines, or industrial associations--in addition to guarding democratic centralism."

opening of initiatives in socialist work competition, the discovery of reserves by counter-plans, producer price stability, the consolidation of plan discipline and responsibility, and the realization of the savings principle. It only came up as a problem that the "commodity production" index contradicts material savings, and that they ought to implement investments on time. Recognition of the importance of the "new type" combines also merely appeared.

In the report of the 10th Congress held in the spring of 1981, a separate chapter discussed comprehensively the main features of the modifications carried out in the planning system. The central element of the measures passed in the 1976-1980 plan period was the development of the combine system. (This was decided on at the 7th Central Committee meeting at the end of 1977 and completed in 1981.) This was contributed to by the modification in the weighing of the price system and achievements; the order for creating "the unity of plan and contracts," and in the field of research and development the value analysis guided by the "duty book" ("analysis of the relation between use value and cost") and adjustment of the comparison with the world level. In harmony with the combine system, the transformation of the planning system was carried out, the modification of the role of the ministries in "two-step" management, and the adjustment of the combines to foreign trade enterprises.

Characteristics of the Model

What are the main characteristics of this model as it has been developed?

The starting principle remains the traditional concept of socialism according to which, on the basis of social (state) property, work is directly of a social character, and by this fact social work distribution can be centrally (officially) planned. Commodity and money relations can only be subordinate to planning, and must be in its service.² There derives from this the autarkic concept of the economy as a closed unit of social work distribution, or the separation of the national economy from other economies, not only the traditional concept of a rigid foreign trade monopoly but also in respect to the value order, that is, the price system. According to this, the organizational units of the economy are not enterprises (in the sense of undertakings) but relatively independent operations (Betrieb), which in the realization of plan tasks is characterized by "independent accounting." Their relation is also a plan relation, democratic centralism or central management--according to the hierarchical structure of local initiative.

In essence, planning rests on natural considerations: the organs "responsible for the balance" establish, on one hand--according to their judgment--the justified (acceptable) social needs, and on the other hand production and other (import) sources, and confronting these in the balance system they decide on the plan tasks. Development (investment) is handled separately from continuous production which strives for stability, they decide centrally on its tasks for correcting errors and asymmetries, for adapting new techniques, and for solving economic political goals (for example, export development and

²This concept is realized in textbooks on political economy and in more recent works, as for example in the book by Hans Luft: "Plan and Commodity Production," DIE WIRTSCHAFT, 1980.

CEMA cooperation). They seek to give incentive to the workers through premiums for the carrying out and overfulfillment of plan tasks. However, given the contradictory points of view and interests, the requirements and their fulfillment can be made "measurable" only with detailed indexes. The autonomous price system with its role as the means of planning--without market control or world market influence--is based on expenditures and includes net income. Thus it results in national income of fictive size and predetermines the calculation of savings. Given the unappeasable demand for development sources, this circumstance (under conditions of "soft budgetary limits) leads to the development of a scarcity economy³ with its own anomalies (for example, investments, resulting obsolescence, and production bottlenecks due to spare parts shortages) which they have to struggle with also in the GDR from year to year (for example, by restricting investments, concentration of investments, and eigen production of means necessary for rationalization).

Combines

The development carried out in the GDR was directed at solving well-known difficulties with existing economic management and the modernization of the system. The essence of the innovations is to strengthen by way of organizational decentralization the independent management and responsibilities of both poles of democratic centralism, central decision making and expectations, and various areas.⁴ According to the requirements stemming from the higher state of development of producer forces, the basic organizational units of the economy provide a greater degree of economic (planning, balance responsibilities) independence. They regard those large economic organizations as such which--embracing the reproduction process in their operational area--can be made responsible for a certain economic task or for the manufacture of some product group, or for attending in this way to the economy (production, population, export). In the GDR they call these economic organizations combines, and they regard these as the main links, the basic units of the independent accounting system. (In the course of the reorganization, it was rather the vertical-structure combines which took the place of the former horizontally structured associations--the VVB's--extending to all industry.)

The combines consist, in general, of economic organizations oriented to final products (or to an economic function), with 10,000 to 30,000 workers in 10 to 20 enterprises which unify in their area the whole reproduction process: the research and development of current production necessary for carrying out the function, including the main verticals, the specific "suppliers" (basic industry operations), the manufacture of single-purpose machines, means and spare parts necessary for product and manufacturing development (the so-called "manufacture of rationalization means" including the use of

³This phenomenon has been analyzed in Hungary by Janos Kornai in his work "Ahiány" [Scarcity], Kozgazdasagi es Jogi Kiado, 1980.

⁴Noteworthy in this respect is the article by G. Gleissner: "Democratic centralism--the inalienable basic principle of socialist management and organization" EINHEIT, No 10, 1981.

microelectronics, the carrying out of automation by the use of robot techniques, and so forth), and moreover the marketing of the products (the domestic foreign trade tasks, including the development of specialization and cooperation development).

Organizationally, the GDR economy at present is divided as follows. By 1981 they had established 157 combines in industry, the construction industry and transportation. In these they unified, by the end of 1980, the foreign trade enterprises in addition to the research institutes and producer enterprises belonging to their profile. The foreign trade enterprises--under dual supervision with the Ministry of Trade and Transportation--were placed in a given large combine or in several combines linked to the sub-branch ministry. With this, the organizational conditions were created for promoting the market work relations between production and foreign trade.

In 1981, the smaller enterprises of wholesale trade and services (for example, delivery) were unified for the most part into 54 county (megye)-managed combines. The combines are planning, independent-accounting and self-financing units, and are also balance responsible for their special products. They prepare their plans (and submit them for approval to the ministry) on the basis of central expectations. They work out a "long-term combine concept" for development as well as a more intensive consumer item and production concept for the population.

In agriculture, specialized crop production and livestock breeding (also gardening and fishing) state farms and producer cooperatives are operating industrially along with their various institutions for industrial cooperation: machine repair stations, agrochemical centers, fodder drying and preparing plants, melioration plants, and so forth. The cooperation associations and amalgamations point in the direction of the development of agrarian industrial alliances. In agriculture, by virtue of the high degree of socialization, the importance of the household farms is already smaller. On the other hand, the small garden cultivators and the small livestock breeders have an important auxiliary role in supplying the population with vegetables and fruit and in producing certain animal products (for example, honey, rabbit meat, furs). Most recently (during the preparations for the 12th National Peasant Congress) emphasis was placed on the strengthening of tsz (producer cooperative) property, on intensifying the cooperation of crop production and livestock breeding tsz's, solidifying the sphere of decision-making authority by the cooperation councils, and strengthening department roles, independent accounting and responsibilities, and local cooperation within the tsz's of the permanent production brigades that are tied to settlements, moreover with increased support for private (household) auxiliary production (after Bulgarian and Hungarian experiences). In addition to supporting artisan and commercial cooperatives, they have been increasingly supporting since 1976 private and commission type small industries, commerce, and restaurants in order to meet the needs of the population better. They are also seeking to bring these private initiative economic areas into the framework of plan management (for example, they are subsidizing the low, stable service prices of small industry; the achievements of merchants on commission are also playing a role in the

state or cooperative trade plan as a function of which they are being operated).

Planning and Management System

In the framework of the combine system, the planning and management system of industry is hierarchical. The basic units are the combines. Within the combines, the member enterprises keep their legal independence but their plans--in discussion with the enterprise collective--are determined by the combine managing director. For the sake of the "combine effect" they regard organizational rationalization as desirable, and under the aegis of specialization (profiling) the reorganization and welding together of member enterprises. There are two main types of combine leadership: management through the main plant (in this case the enterprises are clustered around the main plant and adjust themselves to its tasks; this is characteristic, for example, of the combines in the chemical industry), and combine leadership separate from that of the member enterprises with this leadership standing above the member enterprises that are at the same level and fulfill various tasks of equal rank. Within combines of a proliferating profile, verticals for the production of one kind of product or of plants with a similar technology are brought together separately, mostly under the leadership of a given "leader plant."

The structuring of central guidance in the GDR is described as "two-step." The appropriate ministers are responsible for the fulfillment of the main plan tasks that are centrally worked out--by the Council of Ministers or its planning organ, the Plan Committee; the managing directors of the combines are directly subordinate to the appropriate minister. The managing directors receive their plan directives from the appropriate ministers, and the plan they work out is approved and controlled by the minister. Thus these ministers have less of a direct managing role than a mediation, coordinating and controlling role. The ministers mediate to the combines the desires of the functional ministers. At the same time, they represent the interests of the combines--among other things through the Council of Ministers--to the "supply" combines (for example, basic material manufacturers) which belong to other ministries (with regard to the fact that the economy cannot be parcelled completely according to appropriate portfolios).

Thus unlike formerly, the combines have actually gained significant independence, because only the main requirements are prescribed for them. The managing directors of the combines have received a large area of authority in decision making, not only in planning and organization within the combine but also by virtue of its eigen financing and balance responsibility (command of inventories and imports). But as shown by experiences, this independence is not without contradictions because the activity of the combines depends on many centrally determined factors and other independent factors. For example, the most important energy sources, basic materials, equipment, and fittings come under central balance management (distribution, outflow), and in addition they are also interested in items belonging to the balance responsibility of other combines (in the case of supplementary requirements, therefore, it is frequently possible to obtain the necessary products only by way of the "socialist exchange" of balance positions). Because of the scarcity economy

(including import restrictions) balance management is becoming more rigid according to the logic of plan management. They desire to keep hold of supply responsibilities by balances and to create harmony among acquisition, production and consumption. In 1981, they tightened control over balances "in the interest of discovering reserves" as G. Mittag put it in his report at the 13th Central Committee session; it is necessary in the case of many products to make a quarterly and even monthly report on their status; to this end, they organized the Central National Balance Inspectorate Center in addition to the Planning Committee. Moreover, the combines still receive their import quotas "from above" and also their foreign trade tasks in determined relations extending to details (the kind of foreign currency is also prescribed). In this manner, the official plan relations continue to dominate; the plan bargain, the balance positions, and the securing of the central investment sums.

Expectations Related to the Development of the Combine System

The combines are large units which can be made responsible for carrying out their functions, for obtaining products, as needed, that belong to their sphere of tasks, and for successful fulfillment of export tasks. They also adjust to this with the necessary main conditions. They expect the combines to close the gap with accelerated world development in producer forces, and thereby the intensification of GDR export capability and the manufacture of modern consumer items to satisfy the growing domestic demands, and export. Therefore, even combines which manufacture production means are obligated, by using their capacity reserves, to produce modern consumer items suitable to their profile. With the inclusion of foreign trade enterprises in the combines, the combines are made responsible for development aimed at export growth, the fulfillment of export obligations, and the improvement of efficiency.

The combine fits well in the plan-directed economic management system. The managing director can, in a direct way and in accordance with the combine's sphere of tasks shape (reprofile) and rationalize the organization, development and cooperation of the member enterprises (the "supplied materials"). In this way he saves the central organs from detailed management, which cannot be realized in any event. Thus the "independent account" can be handled in the case of combines. The levels of planning are established: the center--the industrial branch (the ministry)--the combines. Planning within the combine can be entrusted to the managing director. (But as G. Mittag pointed out at the 13th Central Committee session, the managing director must defend plan proposals before the minister or the State Plan Committee.)

Within the combine, research-development is linked with current production and marketing. By this means there will be a more favorable possibility, on one hand, for development to become acquainted with demands, the world market level and requirements, and thus adjust to them. (It is the managing director who sets and approves the development goals and fixes these for the developers in a "duty book." They prescribe in the duty book, for example, the material and energy savings for product development, the world market comparisons, the value analysis, and on this basis the qualitative parameters, and the starting

day for price setting.) The introduction of research and development results, on the other hand, and their realization in production are better assured in this way.⁵

The combine has its own capacity for carrying out product and manufacturing development and rationalization. In plan-directed economic management it is, to be sure, difficult to persuade the "external" organizations to undertake special deliveries necessary for development and to adjust to one-time requirements and short deadlines. Developments indispensable for modernization have suffered delay for this reason. On the other hand, with its own research-development capacity and its rationalization of means manufacture, the combine can provide the necessary means; moreover, it can adjust the "inside" supply operations as well as their development and output to the new requirements.⁶

The eigen manufacture of rationalization means has developed rapidly since the development of the combine system; it increased by 16 percent in 1980 and 23 percent in 1981. In the present five-year plan period, they wish to double this, raising the ratio to one-fourth of the total industrial means investment.

The extent to which the solution of these main problems is in the forefront is also well shown by the organization in 1981 of local industry into combines. This process is exactly the opposite of the trends in Hungary which expect from the development of small enterprises a more flexible adjustment to the market, a specialization development adjusting to demands, and an improvement in savings. Up to now they have sought to achieve social help in the GDR in the framework of so-called "area rationalization" in order that the larger enterprises would be included to send supplies necessary for the renovation and modernization of the small operations, and help with items in shortage. Moreover, they wanted to rationalize shipping by organizing the shipping and

⁵At the 6th conference of the joint committee of the Soviet and GDR economists, Reinhold indicated that one of the most important goals of combine formation was a solution to the problem of "the change of research and development into the decisive creative part of the unified process of reproduction," for "up to now these frequently were not organically linked to one another." WIRTSCHAFTSWISSENSCHAFT No 4, 1981, p 395. For problems related to the duty-book, see for example, "We must assure the world level with the Duty-Book" DIE WIRTSCHAFT No 9, 1981.

⁶Tamas Bauer and Laszlo Szamuely also stressed this in their joint article and pointed out: "It is not accidental, for example, that the establishment of combines in the GDR enjoyed an upswing in the 1960's when these stepped-up industrial development programs began to falter because of inadequate deliveries by the smaller enterprises for the final output." "Az ipar agazati irányítás-ának szervezete" [Organization of Sub-branch Management of Industry], KOZGAZ-DASAGI SZEMLE, January 1971].

storage associations.⁷ With the organization of county-managed combines they are now trying to solve these problems according to the logic of the plan-directed system. With the organization of the small (local industry and services) enterprises into combines, they will make the combines (rather than accessible small plants) responsible for supplying the local population and fulfilling certain export tasks. Accordingly, the many small existing enterprises can be coordinated, reorganized, concentrated, and developed further. Their operations can be better planned through the combine, that is, they can be better drawn into the balance system (for example, they expect that their various material needs can be better taken into account and planned). Not least of all is the consideration that within the combines a rationalization in the manufacture of means can be developed, and thereby the conditions for product and production development can be created. Finally, the combine situation can give a more favorable position to acquiring further technological assistance from the ministerial combines.⁸

Problems

There are, however, certain problems latent in this great development attempt as expressed in the combine system. Combines are monopolistic organizational units, which for the most part can realize their particular interests. They conduct their own comparison with the world level (by simulation and not by actual market conditions) and they can handle their supply responsibilities in an autonomous manner. They can gain state development sources in accordance with their influence. In any event, combine independence is only relative. It depends, on one hand, on central balances, on others responsible for the balance, and on central approval for development efforts. They still have to overcome ministerial management and the habits of bureaucratism.⁹ It happens sometimes that the plan targets, balances, instructions "go over the heads" of the combines to certain member enterprises. We must mention a central management that goes into details in foreign trade and permits administrative limits on imports. In the partnership supervision it is the appropriate ministries that give out to the combines the plan tasks, broken down by trade relations and worked out jointly with the ministry of foreign trade. But many questions still need to be clarified about dual management and the cooperation

⁷For the ways of area rationalization see "Area rationalization as a growth factor," DIE WIRTSCHAFT No 1 and 2, 1981.

⁸See, for example, "The County-Managed Combines," DIE WIRTSCHAFT No 7, 1981.

⁹Honecker has repeatedly spoken out against bureaucratism (for example, in the report at the 10th Central Committee session and in his concluding remarks at the Berlin conference of delegates in the spring of 1981).

of the combine and foreign trade enterprise.¹⁰ In 1981 they established a separate government committee (under the leadership of the state secretary for foreign affairs) to study how the combines may meet their obligations to adjust to the world economy and increase export efficiency.

Within the combine they can, to be sure, directly assure the cooperation of the member enterprises, their coherent development, and adjustment to demands; however, there are still no effective incentives to assure the appropriate level, selection and rate of deliveries by external "suppliers." In fact, despite their supply responsibility the suppliers belonging to other combines give priority to the demands of their own combine, and their development is adjusted to these needs (considering the limited nature of means and capacities). The intensified effort of the combines at autarky derives from this circumstance.

Given the conditions of directive economic management and the accompanying scarcity economy, the rationalization manufacture of means (from single-purpose machines to the production of supplementary spare parts that are in short supply) is a step forward in the *modus vivendi* assuring the smoothness of production and its development, but this means the small-scale development and manufacture of many products in a parallel manner among the combines, a method which is frequently less economical than the alternative of production by specialized enterprises. (Even though it gives scope to local inventiveness, in certain respects it is also wasteful.) The eigen rationalization of means manufacture frequently tries to assist and coordinate parallel experimentations by establishing area or special technical-technological advisory centers. The task of these "stations" is the application of microelectronics, the construction of industrial robots, and the promotion of their use.

Since the relationship and cooperation of producers with differing interests and belonging to different combines, the fulfillment of tasks on time for delivery, selection and quality (indispensable to uninterrupted production) are not solved even by the combine system, they tried to solve this problem--which also has been raised a number of times by FRG economists and leaders--by increasing the role of contracts and issuing an order on the requirement for "plan and contract unity." They prescribed that the plan, on one hand, may only include that for which marketing is assured by valid contract or preliminary contract. On the other hand, contracts belonging to the profile must not be rejected, but this can be realized only if it is sanctioned by inclusion into or approval of the plan. Producer and consumer interests are coordinated after inclusion in the plan, but for the most part the priority of the production interests are realized. At the same time, the contract is called on in balances to concretize the determined volumes (in planned quotas) according to the demands of the consumer.¹¹ Amid the complicated changes of

¹⁰An example of the latter is Kupferschmidt-Hoffman: "Expert market work--increasing marketing changes" DIE WIRTSCHAFT No 12, 1981.

¹¹Z. Kessy: "Plan-Bilanz-Vertrag" [Plan Balance Contract], DIE WIRTSCHAFT, No 9, 1977.

economic life, the co-ordination in time of the contract signing and the acceptance of the plan is difficult to realize, because of the complicated development and "supply" dependences, the fulfillment according to deadline and selection--particularly without the interest of undertakers. But as pointed out by Honecker at the 11th Central Committee session, if industry supplies slowly, or even fails to supply, small volumes of materials, spare parts or other matters, this will obstruct scientific and technical progress.¹²

Plan, Achievement and Indexes

As a guideline in economic planning, they desire to intensify the role of the five-year plans. But given the present, complicated, changing conditions, this will be hard to realize (approval of the 1981-1985 plan can only come about at the end of 1981). According to sub-branches and in respect to combines, the annual plan includes the main economic requirements. It is accordingly that the leadership of the combine (the managing director) prepares the long-term development concept of the combine, the five-year and the concrete annual plan; they debated these in detail with the worker collectives. The views and initiatives of the workers is expressed with the cooperation of the trade union, in the debate over the plans and in the work competitions movement.¹³ (They rejected in 1979 the "counter-plan concept" which is still being implemented in other countries and is directed at "stretching" the plans, although they continue to honor without change the surplus undertakings, which must be approved, however, by the appropriate ministers.) The main form of work competition offered in the past two years has been the annual three-day surplus production undertaking, almost entirely from saved materials.

The guide published for working out the 1981-1985 plan reflects not only the new organizational system but also a certain center-of-gravity requirement of economic policy. Thus it was necessary separately to plan the tasks for saving work places and for redirecting workers (following the Schwedt initiative that "fewer people produce more"), the concept of using microelectronics, and the issuing of new consumer goods with a higher use value. By way of "the uncompromising comparison with the progressive international level" they studied the norms and the normatives used in the plan. They had to include in the plan the achievement index complex specifically selected by the combines, for which they work out an index catalogue. They are devoting increased care to coordinating the economic management of the sub-branch and area organs. This refers in particular to manpower management, to the exploitation of free capacities, the utilization of shelved inventories, assistance with items in

¹²NEUES DEUTSCHLAND, 14 December 1979. For current problems see Koch "What supports or obstructs innovations?" DIE WIRTSCHAFT, No 7, 1981.

¹³The guidelines for working out the 1981 economic plan prescribed the breakdown of the plan tasks for debate, if possible, down to the work bench. In his report at the 13th Central Committee session, G. Mittag also pointed out that socialist democracy is particularly manifest in that the workers are drawn into the debate on the plan goals and tasks.

shortage, and "area rationalization" for maintenance and investment cooperation. They expect the plants to devote greater attention to plant economic requirements in order to reduce prime costs. With this, they ascribe increased importance to intensive factors of growth.

One of the main problems of plan-directed economic management is the weighing of achievements, which is difficult to do objectively because of the fixed prices and the lack of market control. Therefore, it is a problem for us what (how much) we can demand from production units in an actual monopoly situation, to establish efficiency credit properly, and by virtue of this to give incentive in such a way that "what is favorable for the economy should also be advantageous to the enterprise (its workers)."¹⁴ The "full production value" which formerly had a role as a growth index given incentive, as is well known, to extensive growth and excessive material consumption.¹⁵

In the framework of improving economic management in the GDR, they introduced in 1980 a triple index for weighing the achievements of the combines: the index for "commodity production," "net production," and the "basic material cost for 100 marks of production." They expect the "commodity production" index to define and stimulate growth. They seek to avoid the development of basic material costs with a control index in order that production value can be increased by the use of greater or more expensive material. The "net production" index serves to show the achievements of the enterprise (its workers) and its contribution to the national income. In plan reports they are ranking the combines on the basis of this index triad. With an evaluation like this, inevitably those combines come to the forefront which have arrived at an outstanding modern level by reconstruction projects (hence in these indexes it is the consequences of measures that were taken earlier that become manifest and not unconditionally better work). The "commodity production" index continues to dominate as the expression of growth. Neither does "net production" form a realizable comparison fund as control, for its size depends on net income arbitrarily added on in process. The GDR also knows that these three main indexes, complexly used, are not sufficient for a manifold evaluation or for giving incentive to efficiency, and that is why they also study, for example, the quality, the utilization of fixed assets, the development of export efficiency, and so forth.¹⁶

The problematical nature of the evaluation is indicated by the fact that a comprehensive personal investigation of the work of the combines has been

¹⁴See E. Honecker's report at the 10th Party Congress.

¹⁵Honecker pointed out at the 11th Central Committee session that according to studies half of the products are unjustifiably heavy.

¹⁶The measure of achievement and the problem of indexes was analyzed by H. Parson "Zur Leistungsbewertung der Betriebe und Kombinate bei der weiterend Vervollkommnung der Leitung, Planung, and okonomische Stimulierung" Berlin, 1979.

emphasized under the guise of exchange of experiences with the justification that those lagging behind should learn from the experiences of those in the vanguard.¹⁷ Annually they organize seminars for the exchange of experiences related to local visits and evaluations by combine leaders, which at the same time serve to create an awareness of guidelines for planning. Within the combines also, they are urging the comparative analysis of plant achievements in order that they may discover and be able to use the reserves that are latent in the existing and unjustifiable level differences. The spread of comparative-control studies in itself indicates that the achievement criteria are problematical. At the same time, such control may lead to subjective judgments.

Another main problem is the measuring of achievements and the question of prices in respect to incentive (between the relations of independent accounting.) The price formation which rests on expenditures--the prevailing form of price formation in the GDR--may be suitable, to be sure, for expressing the social costs of production, but since the prices do not always go through a market value judgment, they do not always express the efficiency. The addition of net income is, as a matter of fact, arbitrary, and in this way there is a fictive national income, the fictive nature of which appears in the increase of convertible foreign currency earning costs, in the deterioration of the terms of trade, or in the difficulties of the internal financial and supply balance.¹⁸

For the further development of the price system in the 1976-1980 plan period--deviating from the basic principle of price stability--a dual direction unfolded in the field of producer prices. On one hand, stage by stage in the five years, beginning with basic materials and going all the way to finished products, they studied the prices, "factoring in" the expenditure increase stemming from the world market price increase in imported energy sources and raw materials. They sought to mobilize reserves for the moderation of the price rise by "holding down" price growth according to the degree of processing. For the 1981-1985 period also they are planning to adjust industrial producer prices to the increased import costs, or to the modified expenditures. They are seeking to increase the incentive effect of prices, and besides paying premiums for quality to make the enterprises interested, through an additional price, in increasing the degree to which a product is processed.

¹⁷Commissioned by the Central Committee in the autumn of 1980, the "experienced managing directors of the vanguard combines" carried out analyses in 18 other combines. NEUES DEUTSCHLAND, 20 March 1981.

¹⁸At the 11th Central Committee session (at the end of 1979) Honecker said: They do not pay us on the world market what we expend by domestic standards but only as much as corresponds with the internationally attained level of expenditures. It is not a matter of indifference if one mark expended domestically is worth 30 pfenning or one and one-half marks on the world market. The differences between economic and uneconomic export products is this great or even greater." The consequences, however, of this important perception is not easy to realize.

They are raising agricultural purchasing prices in order that in this area also an increase in the industrial producer prices for the means of production used should be realizable, and moreover to give incentive to additional production. Increasing pressure is evident, therefore, from the production organizations, above all from the combines, to pass on their difficulties by means of prices; at the same time the effort at incentive by way of prices is spreading in central management.

Parallel with this, since 1976 the relative price formation of new and developed products has begun to develop, the price increase based on the acknowledged increase in use value, quality (achievement). They sought to orient development, and moreover by the higher attainable price to make the producers interested in introducing as soon as possible new scientific-technical results by analyzing and expecting the optimization of the use value and the costs necessary for its attainment. Price formation that adjusts to use value is the first break with price formation based on expenditures.¹⁹

But neither the committee judgment of the growth of use value nor the related and prescribed "comparison with the world level" can adequately replace the actual market value judgment.²⁰

Despite the unfavorable world market price formation and the increasing burdens, in establishing prices for consumer items they maintained the stability of prices for goods satisfying the basic needs which form the bulk of the commodities, and also the stability of rent and service fees. The low-held prices and the subsidies for service fees are made possible actually by the net income withdrawal that is built into prices, particularly by the higher prices for the more demanding consumer items. The high prices for specialty items and the price increase for renewed commodity selection adjusting to demands afford adequate cover for this purpose. Thus with the politically aimed price stability of basic consumption, an income grouping occurs in favor of the low earners, that is to say, manpower becomes cheaper in comparison to other production factors.²¹

There is no new, substantial change in the manpower and wage management method. Positions (status) are determined by norm, and wages are adjusted to achievements attained. The main form of incentive is the premium, which is bound to and given by virtue of various plan indexes.

¹⁹Still, the evaluation of achievements by combines is based strongly on domestic standards instead of the "scientific-technical and economic world level, and in the evaluation of achievements scientific-technical progress is still not sufficiently in the center of importance." WIRTSCHAFTSWISSENSCHAFT, No 2, 1981, p 222.

²⁰Compare Bosche-Matho "The Support of Scientific-Technical Progress by Means of Prices" WIRTSCHAFTSWISSENSCHAFT, No 9, 1977.

²¹For the principle of price stability see Laszlo Csaba "Iranyzatok az NDK gazdasági mechanizmusának fejlődésében" [Directions in the Development of the GDR Economic Mechanism] KULGAZDASAG, January 1980.

Thus the modernized, directive plan management of the GDR arrived at its complex developed state by building up the combine system and by further developing other management regulator areas accompanying it. It has become one of the consistent alternative models of existing socialism. The combine system in industry, the Tsz's and cooperation projects in agriculture supplemented by individual (household) initiatives form the organizational framework of the all-embrasive plan management in this noteworthy experiment. At the same time, in the defense of state property and the party's leading role, they have resolutely rejected the application of market relations and self-administrative efforts (which in this system is represented by democratic centralism).

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CSO: 2500/185

HUNGARY'S WESTERN TRADE INCENTIVE SYSTEM: POINT, COUNTERPOINT

System Attacked

Budapest HETI VILAGGAZDASAG 1.. Hungarian 20 Feb 82 pp 26-27

[Article by T. Katalin Forgacs]

[Text] Can one making a foreign trade deal dismiss with a shrug of the shoulders how many dollars it costs to import this or that item? Shockingly, the answer is still often in the affirmative. And the sum involved is nearly 200 billion forints--the value of one year's capitalist import by Hungary.

It is a dangerous, because comforting, argument--rather widespread even among economists--that the deterioration in terms of trade suffered by Hungary in recent years can be attributed largely to the world market price increase for fuels. But it can be proven by calculations that a very large part of the loss affecting the national income is not interdependent with the increasing cost of fuels but rather can be attributed to a shift in the price ratios for exported and imported products.

This statement is supported by the data published by the Central Statistics Office in a publication titled "Several More Important Foreign Trade Indexes for Hungary and Developed Capitalist Countries." The little pamphlet gives the development of prices for a few more important items, comparing the world market prices with the prices paid by Hungarian importers. Sometimes the difference between the world market prices and the Hungarian import prices is shocking, even if--as the pamphlet emphasizes--in some cases the quality of the products listed on the market and the quality of the products noted by the Hungarian statistics are not exactly identical. This does not always explain, however, why we regularly import some products, for years, a good bit more expensively than their world market price. At least this is suggested by the data of the KSH [Central Statistics Office] publication.

The table gives only a taste from the publication. Fearing that the selection might appear tendentious we tried to find products in the KSH categories for which the Hungarian import prices were regularly substantially below the world market prices. This attempt was not a success. The quantities involved do not appear with the dollars in the table because these prices are themselves averages. The statisticians performing the calculations took into consideration

The World Market Price of a Few Products and the Hungarian Import Price as Calculated by the KSH (in dollars per ton)

	Crude Rubber		Raw Hides	
	World Market	Hungarian Import	World Market	Hungarian Import
1979				
First quarter	1,199	1,550	2,008	2,220
Second quarter	1,308	1,430	2,303	2,980
Third quarter	1,326	1,473	1,734	3,153
Fourth quarter	1,395	1,587	1,634	2,460
1980				
First quarter	1,691	1,620	1,526	2,117
Second quarter	1,407	1,753	935	1,940
Third quarter	1,451	1,727	1,053	1,700
Fourth quarter	1,464	1,673	1,223	1,393

the varying quality of the products (rubber and hides) and the proper weighting of the price. Even in the best case the calculated average prices only approached the world market prices, but the more characteristic trend was that the Hungarian import prices--unfortunately--were well above the prices quoted on the market.

We all know that many factors determine the level of Hungarian export prices. These include protectionist measures which affect us also, the weak delivery discipline of Hungarian industry, the lack of good brand names, and much as well falling outside the foreign trade organization in the narrower sense. So, in connection with the publication, what prompts criticism is not the export but rather the import figures.

The foreign trade enterprises can influence import prices considerably with their work. Much depends on the preparedness of Hungarian foreign trade, not least of all on whether the foreign trade enterprises and those who make the deals have an interest in the cheapest possible foreign acquisition.

According to the formal regulation the foreign trade enterprises really do not have any interest in cheaper acquisition, for according to the regulations in effect the commission fees must be calculated as a percentage of the so-called access price, so the higher the price the more the foreign trade enterprise makes. This fact merits special attention because half of the non-ruble accounting import still comes into the country within the framework of customary commission deals. In addition, those engaged in foreign trade must always consider the years ahead in regard to price levels prescribed for individual years; because of the base interest it would make their own lives difficult if they succeeded in importing more cheaply in a given year.

Naturally, I do not say that it would be easy to find a solution with which one could bridge over the problems deriving from the base view. There are considerable misgivings in connection with measurement. But neither is it true that

it would be completely impossible to develop a foreign trade income regulation and interest system which would turn import activity in a healthier direction.

In many cases the domestic producing enterprises signed an agreement with the appropriate foreign trade enterprise according to which the foreign trade enterprise receives, for its export deals, the customary cost rebate and commission fee. The industrial enterprise shares with the foreign trade enterprise any profit above the so-called limit price--the sum by which the party making the deal can sell the item above the price prescribed as a minimum--as a function of the improvement in foreign exchange generation or the foreign exchange yield. Naturally one could work out for import deals also a method whereby the partners could share the profit deriving from acquisition cheaper than the price set in the contract. Despite this, half of the non-ruble accounting import is still purchased by foreign trade in the simpler but not most expedient commission form--as we have said.

In addition to enterprise interest it would be at least as important to review the personal incentive system for those making the deals. It is well known in foreign trade circles that much is not right with import price work--despite the attempts to improve it in recent years.

At present those working in the majority of the foreign trade enterprises receive a marketing or acquisition plan task and it is determined "from above" in advance what premium will be paid in the event of fulfillment. The premiums finally paid have a very narrow spread around the sums set in advance--however well those making the deals may work. There are also enterprises where it makes no difference, whether export or import be involved--the person making the deal automatically gets a fixed "premium"--not a large one--after every deal. There are very few foreign trade enterprises where any personal interest attaches to finding cheaper import sources.

Let us not be hypocritical. It is well known that it is much more convenient for those making the deals to bargain with the Hungarian industrial enterprises, and not with the foreign seller, to bargain for the purpose of making import more expensive. The foreign sellers are not made to compete to reduce prices; the Hungarian purchasers are made to compete, in the interest of raising import prices.

Nor should this be surprising. According to the figures of the Ministry of Foreign Trade the average pay of a foreign trade expert with 10 years experience is 4,000 forints, plus a foreign language supplement. The average pay for one with 15 years experience is around 4,500 forints. In addition there is per diem for travel, which, however, usually does not even cover the costs of eating in an average restaurant. (It is another question how many of our foreign trade people are experts at the top of their profession and how many are experts on paper only, who chose this career as a result of entirely different intentions and hopes.)

This--and no more--is how much income they get for acquiring, in many cases, the quarterly or semi-annual needs of the country in some product. But around the world the purchasers of such large orders live in the lap of luxury.

I believe that a recognition of all this justly requires that those responsible finally somehow work out a personal incentive to seek out favorable import sources. This might involve a negative incentive, since there is some possibility for domestic competition among foreign trade enterprises. If some enterprise succeeds in acquiring something much more cheaply than another then it should be possible for the latter firm to impose sanctions on those doing shoddy work.

Let us recall the infamous wall-paper case, which raised a bit of dust in foreign trade circles too. For a year the importer "did not notice" that a little crisis had developed on the foreign wall-paper markets and that prices had plunged. Finally, Generalimpex and Peirt furnished the Skala with hangings purchased at half price, and they finally woke up to the effects of competition.

In regard to positive incentive for those making the deals, in the light of the incomes mentioned I do not believe that the anxiety in connection with too high personal incomes is well founded. I feel that it is a more weighty argument that strengthening their interest would make it possible for us to buy abroad under somewhat more advantageous conditions.

System Defended

Budapest HETI VILAGGAZDASAG in Hungarian 6 Mar 82 pp 26-28

[Article by Janos Peter and Andras Patko]

[Text] In an earlier issue (20 February 1982) we published an article, "Beyond the Border," in which the author, T. Kataline Forgacs, analyzed Hungarian import prices and the interest system connected with imports. She tried to prove part of what she said with statistical data, but she forgot to mention an important fact, namely that the KSH publication quoted listed the Hungarian import prices together with freight costs. Her article--which contained a number of polarized formulations--aroused a great response and elicited a number of counteropinions. We here publish the first two of the answers reaching us, and we imagine that many--those working in both foreign trade and industry--will have something to say on this theme.

Janos Peter:

I do not agree with a number of the statements made in the article "Beyond the Border." Raising the question is justified. It really is not easy to say whether we import too expensively. I also presume--in the light of the interest system described by the author and on the basis of my own practical experience--that we do not always import at the most favorable price attainable. The author quotes data from the KSH publication titled "Several More Important Foreign Trade Indexes for Hungary and Developed Capitalist Countries" and established it as a characteristic trend that the Hungarian import prices were a good bit higher than the prices quoted on the market. She found no products for which the Hungarian import prices were regularly substantially below the world market prices.

I looked it up. The attachment to the publication compares the market and quoted prices for 10 commodities to the Hungarian import prices. Of these the article published the data for crude rubber and raw hides. Of the other eight groups the Hungarian import prices for cotton, wool, copper and coffee were characteristically more favorable than the world market prices, or at least approximated them.

For the other four groups the Hungarian import prices exceed the world market prices. In connection with this the KSH publication says the following: "We calculated the average Hungarian prices on the basis of data for trade valued at border parity, thus in the case of import the contract price is increased by additional costs appearing in foreign exchange--largely freight costs." (In international terms this is CIF parity). This is why the average Hungarian prices are sometimes higher than the world market prices. The publication continues: "It can be seen from the graphs that in the case of our import purchases the prices in general follow the world market price changes, sometimes with a shift in time. In some cases (for example, for wool and super-phosphate) the difference between world market prices and Hungarian import prices derives from the fact that the quality parameters used to set the Hungarian price deviate from those of the world market." According to the author the selection by the KSH may appear tendentious, but it was the selection in the article from the KSH data and the conclusions drawn therefrom that was tendentious.

We experience every day that the interest system does not adequately stimulate optimal purchasing. But these deficiencies are not reflected, or are not reflected primarily, in the lack of personal interest of those in foreign trade ("the ones who make the deals"). The import commission system which went into effect on 1 January 1968 was aimed at putting an end to the "break-water" role of foreign trade between the Hungarian economy and the world market. The domestic user, the party offering the commission, had to be made interested in import; he pays the purchase price, he is master of the deal who decides what, for how much and from whom foreign trade buys. It was hoped that there would be an improvement in the efficiency of Hungarian enterprises using import products as a result of the "ripple effect" of the world market.

But in the past 10 years domestic trade and a significant part of the producers have not become "import price sensitive," the regulator system could not create this interest. So that precondition for which the import commission system was introduced could not be realized. Despite this, the domestic user continues to decide about imports--it is he who accepts the price. In practice it is not the "one who makes the deal" who makes the foreign trade contract; every significant deal comes into being with the cooperation of the user, according to his instructions. In general whether or not we import more expensively by 10-20 percent plays no significant role in the development of profit and personal incomes at the user enterprises. Of course, the convenience of the foreign trade enterprise, the overwork of those making the deals, the possible absence of technical conditions, the failure to build up an efficient market organization and the failure to provide essential information can contribute, from the foreign trade side, to expensive import purchasing.

The fact that it is not the foreign trade enterprise but the user enterprise which makes the decision regarding a deal is well known by capitalist firms interested in eastern export also. We have obtained a circular of a Vienna merchant in which he tried to persuade exporters that in socialist countries it is not the foreign trade people but rather the users who must be won over for a deal.

The author writes that "the foreign sellers are not made to compete to reduce prices; the Hungarian purchasers are made to compete, in the interest of raising import prices." We could list several dozen cases where we had bitter debates with the Hungarian purchaser in the interest of getting them to accept an item of equal value being offered more cheaply by another firm--but to my knowledge there was not a single case where we fought to get a higher price.

In regard to a few enterprises we have tried for years in vain to get them not to address import commissions to a specific foreign firm--which excludes in advance the possibility of making them compete.

More than once the consequence of domestic debates for a cheaper prices has been that the user gave the import to a parallel foreign trade enterprise which did not debate.

In the mid-1970's we decided at Konsumex to leave foreign intermediaries out of our deals--in the interest of better conditions we import directly from producers. This was not easily done, because of the resistance of both the foreign exporters and the domestic users.

The "infamous wall-paper case, which raised a bit of dust in foreign trade circles too," mentioned in the article, arose from this also. For years the importing wholesale enterprise stuck to buying wall-paper from a Belgian factory through a foreign beverage merchant--expensively! The reason: "The Belgian wall-paper suits Hungarian taste." In 1979 the Belgian factory went bankrupt. The wholesaler then decided to buy wall-paper from a Dutch factory. This collection also was offered by the beverage merchant--even more expensively! Finally we bought elsewhere, more cheaply, as a result of ministry intervention.

We prepared for the 1981 purchase in October 1980 with the participation of 24 wall-paper factories from 12 countries, displaying the goods, with direct competition of bids. The wholesale enterprise studied the several dozen bids for 3 months and then informed us that it would sign for a whole year's supply with a "parallel" foreign trade enterprise at a price 43 percent more favorable--with the Belgian beverage merchant! This "favorable" price was 17 percent higher than the price attainable at the same quality with others. Again as a result of authoritative intervention we were able to sign for half of the large order, and the beverage merchant reduced his prices by 17 percent. We prevented the loss of 180,000 dollars. We do not know how the author could have described the documentable events described here in a story according to which the importer, Konsumex, would have wanted to buy at a higher price or how the parallel foreign trade enterprise and the wholesale enterprise could have become the positive heroes in her portrayal.

According to the provisions of the ministry the domestic competition of foreign trade enterprises "is justified if one can expect from the competition thus developing a greater advantage than those foreign market advantages represented by larger scale trade or by concentrating marketing and acquisition activity in one hand."

Konsumex considers that making foreign firms compete is the most important tool in the interest of attaining favorable conditions. This is why we give shows to inform domestic users about the offerings of the world market. We conduct talks in parallel with several firms at once in regard to signing deals and we make a deliberate attempt to have the goods of at least 2-3 firms in the same commodity group on the domestic market, so they can feel each others' competition. The great majority of our domestic customers support our business policy ideas and participate as partners in applying the most effective economic methods.

Concentrating acquisition activity in one hand has the extraordinary advantage that the foreign firms are forced to compete, as a result of negotiating tactics developed jointly with the users. In the course of this it is a great advantage to have them know that they can enter the Hungarian market through only one gate.

Andras Patko:

According to the author of the article the KSH publication suggests that "we have imported some products, for years, a good bit more expensively than their world market price." This statement is "supported" by tabular price data for two products, crude rubber and raw hides, showing the difference between world market prices and Hungarian import prices. In the case of crude rubber the world market prices are the daily quotations of the London market, in the case of raw hides of the Chicago market, thus quotations pertaining to immediate delivery. The Hungarian import price is the actual purchase price recorded by the KSH at the Hungarian border. (The article does not explain the content of the data.) What sort of differences are hidden by this unexplained, mechanical comparison of these two prices?

The market quotation price indicates the possibility of purchase at one and only one quality at a fixed sale location (the exchange warehouse). The Hungarian acquisition price, a so-called realized price, represents a concrete price, or average price, for a product actually purchased and delivered to our homeland. In the case of the articles examined an average of 3 months elaps, between signing the contract and delivery for crude rubber, 6 months for raw hides. Thus the given market quotation prices are really comparable only to the prices at the time of signing. Thus the import price at a given time is the result of a contract 3 to 6 months earlier, and should be compared to the market price level at that time. The market quotation prices are prices "bound to a place." The Hungarian import price already contains all the other costs of acquisition, appearing in foreign exchange, including the frequently significant and unfortunately always increasing cost of transportation to the Hungarian border. This also results in a very considerable difference between the world market price and the Hungarian import prices.

T. Katalin Forgacs writes, "Frequently the quality is not exactly identical in the case of the world market price (that is, the quotation price) and the Hungarian import price." The market quotation in the case of crude rubber, for example, pertains to the so-called RSS1 quality. If we examine the prices for just this concrete quality, and not the average for all Hungarian acquisition, we get the following picture for 1980:

Market quotation average	Hungarian import price	Import price reduced by freight costs
1,505	1,557	1,457

The Hungarian acquisition price, corrected for freight costs, is more favorable than the annual average quoted price pertaining concretely to this quality. In the case of raw hides the Chicago quotation pertains to the so-called "heavy hides", which we do not buy. Only good bit lighter, better quality, and thus more expensive hides figure in Hungarian imports.

The time difference and the cost differential create a very significant difference between the world market prices and the Hungarian acquisition prices. (Frequently there are also significant differences between quoted prices for the same products on markets in different parts of the world at a given time.) Thus the "world market price" and the Hungarian import price are not comparable in the way the author of the article does it. One cannot understand how she compares "apples and pears!" Finally, one should note here that in its introduction the publication cited indicates precisely the above differences in prices, and even adds that "sometimes the difference from world market prices derives from this!"

To quote from the article: "We tried to find products in the KSH categories for which the Hungarian import prices were regularly substantially below the world market prices. This attempt was not a success." The graph and table showing the development of prices for both articles (crude rubber and raw hides) can be found on the first page of this chapter of the publication. The reader has only to turn a single page and the prices for wool, in first place on the next page, show a favorable picture, lasting for years, concerning our acquisition prices in comparison with world market prices--even according to the professionally unacceptable comparison method of the article mentioned.

The article then examines the problems of the commission system, noting that "the foreign trade enterprises can influence import prices considerably with their work." Naturally this is true. But in the case of both commodities mentioned in the article one must disregard an evaluation of the commission system. Raw hides are purchased by Bivimpex, on its own account; the joint directorate of the four user leather industry enterprises decides the conditions of import--including prices. In the case of crude rubber, purchases in 1979-1980 were carried out by a joint office of the foreign trade enterprise and the industrial user based on common interest. Beginning in 1981 the producing enterprise, Taurus, got direct import rights and so takes care of acquisition itself.

To quote again from the article titled "Beyond the Border": "According to the regulations in effect the commission fees must be calculated as a percentage of the so-called access price, so the higher the price the more the foreign trade enterprise makes." The practice introduced years ago and widely employed, in the case of articles representing a large volume and in the interest of avoiding the above conflict of interest, is that the fees for the foreign trade enterprise are established by the batch, not quantity, most often by the ton. Thus the higher price and acquisition value do not give the professional foreign trade enterprises any sort of unjustly acquired extra profit. In 1981 the average key for fees for capitalist import was 0.6 percent. At the same time, in the case of products imported in large volume, this index was 0.3-0.4 percent.

A few words must be said about the effect on import prices of the daily work of those people with a base pay of 4,000-4,500 forints, who "frequently chose this career for an uncertain purpose." In the case of large volume, thus more significant, deals the person making the deal does not decide to make the purchase alone; rather, it is decided on the basis of at least three competing bids by an enterprise price committee led by the director general or his deputy. In a commission relationship, the customer, the domestic user, sets a limit price on the basis of past experience, but very frequently--this is a spreading practice--he also actively participates in purchasing activity himself.

Of course, the above in itself does not completely describe price work; the "competition" of the competing bids can be formal, the enterprise price committee can make a wrong decision, and the price conception of the domestic enterprise can be faulty too. In the case of large volume imports of a materials character, where it is easier to observe the world market price too, and in addition to the price checking activity of the Ministry of Foreign Trade, other organs, such as the National Materials and Price Office and the Ministry of Finance, regularly examine, analyze and evaluate import price work. The various experiences show that price work can be improved in many places. To use the fashionable phrase, there are still reserves in this area also.

Observation, control and the price work itself are more complicated in the case of machines and complete equipment, which make up a smaller proportion of capitalist import. Here it is a good bit more difficult to determine the world market price level. Thus improving price work in this area is an even more important task than the former.

It is already an established practice in the internal incentive system of many foreign trade enterprises to give premiums for successful price deals. In some places the size of the premium is a percent--plus or minus--of the price deal. At the same time, increasing or further developing direct, individual material interest is a timely task. (It might be hypothesized as a generalization that those making the deals are doing their daily work as honestly as the engineers, teachers, etc. in the same pay bracket.)

But the chief goal within the valid regulator system (thinking first of all of the system for developing prices, the so-called competitive price system, where

the primary viewpoint is that passing on the costs sets a limit) is that the cost viewpoints of the domestic enterprises should be the primary influence on the development of import prices in a favorable direction. We must develop a mechanism which forces both producers and foreign trade to cheaper acquisition. This is that incentive which may result in constantly improving price work at the national level and on a national scale.

In 1981 our capitalist terms of trade (the data are already available in the KSH) improved by more than 2 percent, significantly exceeding what was planned. In addition to the regulator system introduced in 1981 and the achievements of improving foreign trade price work (the price level of our export increased by almost 3 percent while that of our import increased by 0.6 percent) an important role was played in this positive result by the effects of the capitalist market situation appearing via the Hungarian export and import structure. Thus the very favorable achievement can be attributed only in part to good price work. Similarly, however, a possible later deterioration in the terms of trade as a result of changed circumstances will not in itself be proof of worsening price work by foreign trade.

8984

CSU: 2500/178

EXTENSION OF METRO SYSTEM DESCRIBED

Budapest NEPSZABADSAG in Hungarian 20 Mar 82 p 5

[Article: "Plan to the Year 2000: the Metro Is Being Extended"]

[Text] The north-south metro line is being extended to Szilas-patak. Thus it will go all the way from the Kispest railroad station to the new housing project at Kaposztasmegyere via Calvin Square (ter), Deak Square, Elmunkas Square, Arpad bridge, and the Ujpest city center. As is well known, it was at the end of last year that the Deak Square-Elmunkas Square section of the north-south line was completed, and on the basis of the decision by the Council of Ministers last Thursday the new section extending to the Arpad bridge will be put into operation, according to plans, in October 1984 at the same time that renovation of the bridge is completed.

These are the most important features of the decisions made at last Thursday's government session following a review of the long-term metro construction program and of further tasks in respect to the north-south line. In Harmony with Housing Construction.

Daily over 1 million passengers use the 23.5 kilometers of lines that have been put into operation thus far. Indispensable by now in mass transportation are the metro and the suburban railway systems which, in the framework of transportation development concepts worked out in earlier years, follow the most important routes of travel. The metro network is being extended in harmony with urban development, and in respect to surface transportation it carries passengers from the most crowded inner areas creating links with the classical Budapest centers and shortening the travel time between the outlying districts and the Budapest concentration. The metro is also an urban development factor, for in wake of large-scale construction, surface roads will also be more modern, new and large permeable junctures are being developed, public utilities are being renovated, and new marketing and commercial centers are being established at the large metro junctures.

The long-term metro construction program set forth in detail the tasks which face transportation and the development proposals for their solution. During the planning work, more favorable solutions were found for the north-south Section III that is being built between Elmunkas Square and Szilas-patak. They determined what kind of lines would serve the developing city, and how

the time coordination could be assured between the development of housing projects and the transportation network. The long-term development plan prepared jointly by the Ministry of Transportation and Postal Affairs and the Budapest City Council was prepared with a perspective to the year 2000 and with consideration of the fact that the housing construction sites will in the following years remain Kaposztasmegyere, Ujpest, Rakospalota, the environs of Arpad bridge, and Csepel. Thus the program already embraces a number of five-year plans and has in mind the interests of the hundreds of thousands of Budapest passengers who are expected to pass through.

All the Way to Szilas-patak

The completion of the entire north-south metro line will extend, according to the decision, to Ujpest Szilas-patak on a line extending beyond the already operational section between the Kobanya-Kispest railroad station and Elmunkas Square. We have succeeded in arriving at solutions that will permit the construction of a metro line that is 1,300 meters longer than originally planned and essentially at the same cost. Thus the metro will go north from Elmunkas Square and there will be stations at Dozsa Gyorgy road (ut) and at Arpad bridge. The temporary terminal station of the north-south line will also be built there. From here the northern section of the metro will be extended northward for 7 kilometers following the Vaci road and directly under the road pavement. After the stations being built at Forgach street (utca) and Gyongyosi roads it will reach the Ujpest railroad stop. From here it will turn on Arpad road and reach the Ujpest center. Stations are being built in Ujpest on Bajcsy-Zsilinszky road and Rozsa street. Turning by the Szob railroad, the metro will emerge on the surface. Thereafter it will proceed along the railroad track, and at the Rakospalota-Ujpest MAV (Hungarian State Railways) a station is being built like the one at Kobanya-Kispest. The Szilas-patak station will be the terminal for section III, which will also touch on the southern part of the Kaposztasmegyere housing project.

The north-south metro line is of great importance. Using estimates from the Fifth Five-Year Plan, we must count on about 100,000 houses in the Angyalfold and Ujpest area that were built recently or are being built. Of these, about 24,000 will be built at Kaposztasmegyeri housing project. In the following plan period 5,500 houses will be built in 1987 and another 4,000 to 5,000 in 1988. In respect to inhabitants, Kaposztasmegyer will be a city district of the size of Szolnok.

From Rózsikai Road to Baross Square

The 18.3 kilometer long line between the two terminals will well serve the housing projects built and planned in its proximity, and at the same time by touching on the Belvaros (Inner City) it will provide rapid contacts between the northern and southern parts of Budapest. It will also satisfy the transportation requirements of the factories in the large industrial districts, for it reduces the travel distance between Kobanya-Kispest, Angyalfold and Ujpest.

At current prices, the complete section II investment costs exceed 17 billion forints.

The long-term program of metro construction up to the year 2000 was preceded by careful investigations, studies and analytical work. The work team established by the National Technical Development Committee reviewed the experiences of the preparatory work and investigated nine network development variants.

According to the most favorable ideas, there may be occasion ultimately to build the so-called Section IV of the north-south line, which proceeds underground across the axis of the Kaposztasmegyeri housing project.

As a further development of the network consisting of the complete west and north-south line already under operation, we may start in the first half of the Seventh Five-Year Plan construction of the metro line between South Buda (Del-Buda) and Rakospalota. The first section will be between Bocskai road in the 11th District and Baross Square. They are studying the possibility of establishing a line between Bocskai road and Calvin Square. This means that in accordance with practice thus far they will not wait for the completion of a complete line but here, too, the work will be carried out by sections.

In the northeast Pest area, with particular regard to the housing project at Ujpalota which consists of 15,000 houses and to the planned, large-scale expansion--the metro line would be extended northward up to Bosnyak Square, according to concepts, following completion of the internal section and in accordance with requirements. This is, of course, an idea which could be carried out around the year 2000 in the long-term plans.

Csepel-Kalvin Square with HEV [Budapest Railway Suburban System]

The large-scale, long-term development program of the metro also brings with it changes in large-scale road constructions, juncture readjustments, and surface mass transportation. The necessary measures will also make it possible finally to adjust traffic lines in the southern areas of the city center. Parallel with the completion of the metro, streetcars will all be taken off of Bartok Bela road and the Kiskorut Boulevard, the thoroughfares will become broader, and the traffic performance capability of Szgbadsag bridge will also be increased. Between Calvin Square and Gellert Square more passengers can be carried under the Danube than at present over the bridges by bus, passenger cars and street-cars. Among other things, this is why we need the metro in this area for it is well known that the Danube bridges are not wide enough, and their transit capability will be unable to keep up with the traffic that will expand over the long run. Moreover, this new metro will make it possible to reconstruct the Thokoly Road and to have fast and comfortable mass transportation in the Ujpalota area.

With the completion of the first section of the South Buda metro line, it will also become possible to introduce the Csepel HEV into Calvin Square. With the building of Section II of this line, the network will be developed which will reliably serve, for many decades, the population on the most important transportation lines of Budapest.

Following the present decision of the Council of Ministers, which defined the metro construction tasks up to the year 2000--the opportunity will exist to prepare in time well-considered developments extending to all details, and thus for the development of a detailed plan which will be in harmony with the city development and housing construction plans of Budapest, take into account environmental protection points of view, and serve well the interests of the generations that follow us. The time proportional fulfillment and the repeated review of the future section for carrying out the program will be conducted in the Seventh Five-Year Plan.

6691

CSO: 2500/179

POLICY ON MEAT IMPORTS, EXPORTS DISCUSSED

Warsaw POLITYKA in Polish No 5, 20 Mar 82 Suppl p 20

[Article by Emilia Warner, employed in the Agricultural Articles Department of the Institute of Trends and Prices in Foreign Trade (IKC HZ): "Export Meat?"

[Text] The deteriorating supply of meat and meat products to the population has created a situation in our meat economy which has become the subject not only of general interest but also of a nationwide discussion, in which the main question is: "What is happening to meat?"

Within the society there is a growing common conviction that the main reason for the shortage on the domestic market is export, and, what is worse, a systematically increasing importation of grain and fodder attributed mainly to the development of that export. It is generally thought that it is as the result of just such trade policy that our country's foreign indebtedness is continuing to increase. Hence more and more we hear the question of whether it is wise and profitable for our country to maintain exports of animal products alongside imports of meat (as well as imports of grain and fodder).

This subject has been brought up many times, both on television programs and in the pages of GOSPODARKA MIESNA [Meat Management] and ZYCIE GOSPODARCZE. The authors have pointed out the need to maintain exports of meat on at least such a level as to make it possible to meet contracts made earlier, thereby preventing Poland's loss of markets of sale of particular importance to it.

Nonetheless, a substantial proportion of the society represents the view that during the current crisis we should give up both the export and importation of meat. The quality of meat offered for sale in the shops was another factor adding to the society's generally negative assessment of the effects of foreign trade in this area, but it must be stated that after the introduction of the price increase the quality of these products showed clear improvement. At least this is what the market situation in February 1982 leads us to believe.

I want to formulate a few additional arguments justifying the advisability of continuing the past foreign trade policy in the realm of foreign turnovers of meat and meat products. To this end I am using materials and papers from work done in the scientific research institutes and also publications in the pages of the economic press.

It is mainly a question of two issues:

- 1) the impact of meat exports on domestic market supply,
- 2) the profitability of meat exports in the light of the need to import meat to supplement shortages in domestic market supply.

The data in the table present the problem in the most objective way.

As the data show, total meat exports last year did not represent a very great share of the total bulk of meat produced. During the first half of the year they did not exceed 7 percent. If we take into account the supplementary deliveries of imported meat and fats and subtract the meat bought from foreign meat product sales, then the share is barely 0.6 percent. This means that only 0.6 percent of the total supply of the bulk of meat and fat designated for domestic market supply was sold abroad, and that sales on behalf of domestic consumers were reduced by only that amount. Similarly, the net export indices, that is, the balance of exports and imports, amounted to 12.2 percent in 1971-75 and 6.8 percent in 1976-1980 (annual averages).

Now let us calculate whether the possible complete rejection of meat exportation would provide noticeable improvement on the domestic meat market. Taking the first half of 1981 as the basis for our data and eliminating imports, the removal of exportation would provide a consumption growth of about 0.03 kilograms per capita per month.

It must be objectively stated that although the overall market reductions resulting from export last year was negligible, nonetheless the exportation of sought-after ham reduces the possibility of supplying this item so desired by consumers (calculated per capita per month the elimination of export would provide an increase in ham consumption of 0.01 kilograms).

The problem of meat consumption in Poland then is not the result of the size of the meat mass exported but of the exportation of certain items. Exports can make the domestic meat market poorer not so much in terms of the quantity of meat as in terms of the quality of it.

During the latter half of 1981 meat exports approximated 45,000 tons. According to the latest estimates, overall throughout 1981 total meat exports amounted to about 110,000 tons. This means a reduction in export volume of about 100,000 tons in comparison to 1980. This is nearly half. At the same time meat and fat imports showed figures of about 241,000 tons, taking into account deliveries from the USSR.

Meat Balance-Sheet 1980-1981

Description	Thousands of tons		Percentages
	1980	1981	<u>1981</u> <u>1980</u>
1. Procurement of livestock calculated in terms of meat*	2,538	1,884	74.2
Poultry	344	355	103.2
2. Domestic market supply of meat, meat products, and fats**	2,257	1,874	83.0
Poultry	344	358	104.1
3. Total meat imports	58	241	415.5
Lard and pork fat	8	54	675.0
4. Total meat exports	215	108	50.2
Bacon	12	5	41.7
Canned shoulder and hams	43	23	53.5
Canned meats	19	7	36.8
Cold cuts	1	1	100.0
Poultry (geese and ducks)	23	14	60.9
Livestock*** and meat in sides and parts	72	31	43.0
Live horses,*** horsemeat	38	23	60.5
Other	7	4	57.1
5. Net meat exports (4-3) (3-4)	157	-133	
6. Ratio of gross meat exports to domestic market supply (4:2) in percent	9.5	6.2	
7. Ratio of net meat exports to domestic market supply (5:2) in percent	7.0	---	

*Procurement also includes the amount of livestock exported by the Livestock Raising and Turnover Association and by the State Farms (PGRs)

**Excluding self-supply

***Calculated in terms of the weight of the meat

Source: Synthesized meat balance-sheets of the Central Agency of Meat Industry (CPM), Animex Import-Export Agency (CIE Animex), and author's computations

As a comparison of the figures presented shows, the elimination of exports and the foregoing of meat imports not only would fail to improve the domestic market supply but would significantly worsen the situation.

In addition, in our terrible payment situation, we cannot give up exporting goods in which Poland plays an important role in international turnovers. Canned goods first of all fall into this category. Exports of canned goods has represented and continues still to represent an important source of free-foreign exchange in Poland's total exports. Foreign exchange revenue gained in exchange for the exports of canned goods, for example to the United States from 1976 to 1980 represented 31 percent on average of Poland's total revenues from exports to that market, and income from deliveries of ham and shoulders alone accounted for 29.2 percent. Even though as a result of the crisis in our agriculture we limited exports by nearly half, nonetheless it must be especially emphasized that our presence on the market as a traditional exporter represents some sort of assurance of our payment capabilities in coming years, because there is the general conviction that the food economy can get out of the crisis more quickly and become a factor to activate the country's economic development, and foreign trade in farm products can bring great influxes of foreign currency without simultaneously reducing the extent to which domestic demand is met. This is particularly important now. We are in urgent need of foreign currency, because the restrictions imposed by the United States and other capitalist countries are depriving us of the opportunity to buy grain, fodder, and many other commodities on credit.

Let us pass on to the method of calculating the profitability of exports and imports of meat. The method of comparing the prices gained in export and paid for imports presents a relatively correct picture, because it shows how the purchasing power of our exports are faring on the world market.

Price comparisons were made in two variants: 1) with regard to the real quantities and values of exported and imported commodities, 2) for the purposes of comparability, imported meat with bone was calculated into meat without bone to compare it with the exported commodity. The amount of imported meat was reduced by the amount of bone, lard, and other fat and minor items, by 33.4 percent altogether for pork, 26.3 percent for beef. On the export side we took item groups including bacon, ham, and shoulders in cans, cold cuts and canned goods, and meat in parts as the basis. On the import side we took pork and beef.

As we can see from the comparison of prices obtained in total foreign meat turnovers, we could buy a total of 2.2 kilograms of meat and fats for each kilogram of meat exported. This 2.2 kilograms breaks down into 1.8 kilograms of pork and 2 kilograms of beef.

On the other hand, in calculating the amount into meat without bone, these sizes are 1:1.5, 1:1.4, and 1:1.7, respectively. In relation to the other items, in the same area the most favorable results occur in the export of canned shoulders and hams.

At the same time we must say that in terms of quality, imported meat, as meat with bone, is of lower quality than most of the products our country exports, and after calculating into meat without bone it does not meet the standard of exported commodities. This is why this activity is critically assessed by a certain portion of our society. In the opinion of most of the experts of the meat sector, such a solution to the Polish meat problem during the current crisis in the meat economy is simply essential.

Here is the justification. Under the conditions of such a drastic shortage of meat as we face on our market, given the current system of meat rationing (coupons), it is better to give out more meat of lower quality than less meat of higher grade. This stems from the coupon system and is related to the number of consumers who can supply themselves with meat, because it is no secret that the amount of meat which domestic production is supplying to the market is not meeting the demand from the meat rationing coupons.

This is illustrated by the following very much simplified figures drawn up for the 3 quarters of last year. As the basis we take the 3 kilograms of meat per person per month in effect at the time, which comes to 27 kilograms per person for the 9 months. If we assume that 83,587 tons of meat along with mutton and horsemeat (which was exported during 3 quarters in 1981) went to the domestic market, then the number of consumers who would be able to buy meat would approximate 3.1 million persons. On the other hand, if we could buy 156,258 tons of imported meat with bone in exchange for the foreign exchange obtained from export sales, then the number of consumers who could buy meat would increase from 3.1 million persons to 5.8 million persons, which is more than 2.5 million more. In the second variant, imported meat was translated into meat without bone. In the first instance the additional number of persons would amount to 1.3 million, and in the second, 2.0 million.

Therefore, if we assess meat imports and exports from the viewpoint of profitability, we must say that meat imports greatly ease the shortage on the domestic meat market.

In my opinion, the current basic problem is to see that meat rationing coupons are covered in terms of quantity, and the import transactions made up until now have mainly served this purpose.

We should remember that during the past decade Poland bought such large amounts of meat twice. This sort of high meat and fat importation took place in 1971 and 1977.

In closing I would still like to respond to certain remarks made in the letter "Meat Export Blockade" (POLITYKA-EKSPORT-IMPORT No 10, October 1981). In terms of the ratios of export and import prices, we think that the figures presented clarify this problem sufficiently. All we can add here is the fact that prices on capitalist markets are subject to frequent

fluctuation. For this reason, any analysis of the profitability of exports and imports of meat must be conducted consistently, not from time to time, and in keeping with the structuring of price ratios the proper decisions must be made. From the research conducted at the Institute of Trends and Prices in Foreign Trade concerning the profitability of exporting canned goods to the United States, using a system of calculations in terms of the dollar, we can see that the level of foreign-exchange prices obtained by us in exports to the United States provides full coverage of raw materials costs, in addition to providing some surplus to cover the remaining non-raw materials costs.

It is difficult to agree with the formulation that: "Price is only one of the components of trade calculations." In our opinion, the price should contain all the cost components which the author of the letter mentions. They determine the level, among other things. At the same time we should like to explain that in meat exports, advertising, promotion, and similar activity are used to a minimal extent. Our basic goods have an established trade-mark which has been in use for many years and are sold on traditional sales markets for the most part, and we should not give up these exports, for the very reason of the costs discussed in the article, so that we will not have to bear them in the future.

As for the rest of the doubts related to the distribution and management of the raw material, only the meat industry can give an authoritative statement.

10790

CSO: 2600/471

CHANGES IN FOREIGN TRADE DISCUSSED

Warsaw ZYCIE GOSPODARCZE in Polish No 7, 7 Mar 82 p 11

[Article by Wojciech Opalko]

[Text] The extent of the difficulties with which our economy is now struggling has meant that at the present stage the interest of most industrial enterprises in reform is concentrated mainly on solutions which have a bearing on the continuity of production, material supplies, and "securing" existing productive capacity. The degree of absorption by managements of enterprises with the "struggle for survival" over the short term, is best shown by the fact that the "hot", until recently, problem of authorizations to engage in foreign trade became less urgent and the number of applications for licenses submitted thus far has been lower than expected.

By mid-February, all of the basic executive regulations embodying the decisions made in 1982 in the area of reform in foreign trade had been published.

On the basis of these regulations we can now make a journalistic attempt to characterize the solutions from the viewpoint of the interests of the industrial enterprises participating in trade exchange with countries abroad and to formulate some general thoughts.

Licenses and Commodity Competence

Activities in the area of foreign trade may be conducted by enterprises for whom the founding organ is the Minister of Foreign Trade and by other physical persons and corporate bodies on condition that a license has been obtained. Licenses are issued, changed, suspended and revoked by this same head of ministry.

An enterprise may contend for a license if it meets the following conditions:

--the value of the direct export of commodities and services amounts to at least 25 percent of its own production or is in excess of a value of 1 billion zlotys annually,

--it ensures proper cadre and technical services for the export or import that is implemented.

In the case of fully developed coproduction with foreign contractors, large exports implemented from materials consigned by foreign partners (processing--active transformation from raw materials or semi-finished product into final product), or export of technical ideas, an enterprise may apply for a license without having to meet the first of the above-mentioned conditions.

The Minister of Foreign Trade can refuse to issue a license if such an act would have an unfavorable impact on the trade or payments policy of our state.

Licenses will not be granted for turnovers of raw materials, fuels, energy, and farm products of basic importance to the national economy. Only those enterprises for whom the founding organ is the Minister of Foreign Trade may implement such turnovers.

A request for a license should be considered within 3 months of its submission.

The questions regarding authority to engage in foreign trade were regulated last week.

The scope of commodity competence is determined by the Minister of Foreign Trade in the foundation and statutory acts of the enterprises for whom the ministry fulfills the function of founding organ and in the licenses that are granted.

Enterprises which do not have the authority to engage in foreign trade implement export and import through the foreign-trade enterprises of similar specialization product range which they themselves select.

Foreign-trade enterprises which export final products of a specific producer may import commodities to cover the current requirements of this producer in the area of deliveries that are of a supply, co-production and complete nature, and deliveries of spare parts and machinery replacement parts. However, these imports as a rule does not include commodities that are centrally distributed.

Such a solution makes it possible to concentrate almost all turnovers in a single foreign-trade enterprise and to control imports that are financed from foreign-exchange allowances more efficiently.

Foreign-Exchange Financing of Imports

Means for imports implemented outside the sphere of free foreign-exchange turnovers are allocated by the Minister of Foreign Trade.

Imports settled from free foreign exchange will be financed:

--from means allocated by the Planning Commission in the Council of Ministers for the foreign trade minister for imports of centrally computed raw materials and other materials;

--out of foreign-exchange allowances from convertible-currency receipts;

--from means allocated by the Interministerial Team for Controlling Imports (functioning in the Planning Commission of the Council of Ministers).

This team will allocate foreign-exchange means:

--for the appropriate ministries to implement operational programs;

--for the minister of foreign trade and services for the needs of the domestic market;

--for the ministers supervising buyers from the nonproductive sphere;

--for the appropriate investors implementing central investments.

Deliveries implemented in government, bank and commercial credits will be charged (with the exception of commodities that are centrally distributed) to the enterprises' foreign-exchange allowance account or will be taken into account during the allocation of foreign exchange by the above-mentioned Team.

In addition to the above-mentioned basic sources of financing imports, two categories of enterprises will have additional ways to do this. The mining enterprises, covered by Council of Ministers Resolution No 112, dated 8 August 1981, are entitled to a special foreign exchange allowance, stimulating mine output. Enterprises which in 1982 export unessential reserves will be entitled to a 50 percent allowance as a result.

The basis of a foreign exchange allowance is an actual receipt of convertible foreign exchange from export brought to the base fob Polish port or franco Polish People's Republic border implemented after 1 January 1982 and the rate of the allowance approved by the foreign trade minister.

Foreign exchange receipts are reduced by the sums earmarked for repayment of foreign-exchange credits borrowed in accordance with Council of Ministers Resolution No 39, dated 4 March 1977, on foreign exchange credits for financing investments and other purchases for convertible currency, amended by the Council of Ministers Resolution dated 22 March 1978, except that in justified cases, with the consent of the foreign trade minister, exceptions to the rule may be made.

Foreign exchange allowances are not made from receipts from advances from foreign contractors accrued in the account fund of export advances earmarked for complete import for export production.

The basis for the determination of the allowance rate is the ratio, achieved in 1980, of the value of deliveries for export production from supply and co-production imports in convertible currencies to the value of the exports implemented in these currencies. The value of the supply imports does not include the value of the basic raw materials and other commodities from imports obtained through domestic organizations of commodity turnover. If, in a given year, substantial changes for the base (1980) year occur, the allowance may be approved on the basis of new ratios. The maximum allowance rate is 50 percent. The rate of the allowance is approved on the basis of special requests in a form determined by the foreign trade ministers for productive enterprises, groups of enterprises of a given branch represented by the foreign

trade enterprise, and associations of enterprises. The request is made by the interested industrial enterprise and recommended by the foreign trade enterprise which is the main exporter of the goods and services of the requester.

Individual rates are established for enterprises which have licenses to engage in foreign trade and other enterprises if they implement free foreign exchange export valued at a minimum of 50 million zlotys annually. In case of allowance rates approved collectively for several enterprises, these enterprises establish the principles of cooperation and use of means by way of a contract. After the rate of the allowance is established, Bank Handlowy [Commercial Bank] in Warsaw opens and maintains the enterprise's foreign exchange account.

The disposer of the account may allocate foreign exchange means, accumulated in the account, for import of coproduction and supply commodities and services in exchange for convertible currencies, for purposes of its own export production, its domestic coproducers, and other units cooperating in the area of exports implementation.

In justified cases, the reconstitution or enlargement of productive capacity for the purposes of export, the disposer of the account may allocate the accumulated means also for imports of spare parts, machinery and equipment, and additional amounts of raw and other materials. The disposer of the account may instruct, on the basis of an agreement, the selected foreign trade enterprise to fulfill the function of a general agent in the area of coproduction and supply imports charged to the account.

Until foreign exchange for export is received, the interested enterprise may contend in the Bank Handlowy for a credit advance for indispensable imports against the enterprise's foreign exchange allowance account.

The above reasoning on the subject of foreign exchange allowances is illustrated by a concrete example of a request for an allowance:

1. Total export value (in thousand zlotys).
2. Value of export to second payments area [capitalist countries].
3. Value of deliveries for export from cif import from second payments area, including for export to first payments area [socialist countries] and to second payments area.
4. Ratio of imports to exports in second payments area without basic raw materials and other materials.
5. Proposed rate of allowance.
6. Profitability level (zlotys per dollar).

1980	1981	1982
1 380 614	1 318 846	2 252 970
1 230 758	1 200 431	2 070 600
112 866	100 540	285 000
15 097	12 482	34 770
97 569	88 073	250 230
9.1	8.4	12.8
—	—	14.0
28	32	54.2

Despite the ratio of exports to imports in the second payments area, 9.1 percent, during the base period (1980), the plant, under concrete 1982 conditions, in view of higher import needs, requested a 14 percent allowance, justifying it in detail. The foreign trade enterprise recommended as follows: "the size of exports to the second payments area in 1982 derives from the balance of the Planning Commission and the plant's agreements with the enterprise. The export profitability indicator is verified by the foreign trade enterprise, which supports the request by the plant to allow a 14 percent allowance from foreign exchange receipts." The matter of preparing a request is therefore quite simple in the case of cash exports not burdened with credit repayments.

In the case of exports implemented on credit, determination of the size of foreign exchange receipts requires close contact between the producer and the foreign trade enterprise to determine the size of the instalments which will flow in in the form of cash during that specific year.

Under stabilized export, implemented on credit conditions, experience during the first months shows that producers and enterprises try to obtain allowances from all instalments of credit repayments received in a given year, i.e., also from exports implemented before 1982. Practice in this area will probably become crystallized in the very near future. An enterprise may contend in the domestic banks for foreign exchange credit for imports for investments which show a quick profit or for current operations.

In justified cases the finance minister may approve foreign exchange credits drawn on foreign banks, and the foreign trade minister may approve, in consultation with the finance minister, transaction credits (commercial credits) obtained from foreign contractors.

Currency Rates, Domestic Prices, Profit Margins and Commissions

Effect 1 January of this year [1982] the average rate for the dollar was fixed at 80 zlotys, and the transferable ruble at 68 zlotys. The foreign exchange zlotys category in planning and reporting has disappeared. The currency exchange rates are fixed by the president of the Polish National Bank in consultation with the ministers of finance and foreign trade. The basis for the determination of the rates is the degree to which the given rate ensures the profitability of Polish exports. In settlements of accounts from foreign turnovers, official, regulated, and contract prices are applied. The differences between official prices and transaction prices (derived by multiplying foreign exchange prices by the appropriate currency exchange rate) are paid or collected by the state budget.

In the case of controlled and contract prices, additional payments and charges may be made to promote the goals of social and economic policy. The producing enterprises engaged in export are entitled to a refund of import tariffs collected for raw materials, semi-finished products or coproduction elements consumed in the individual phases of production of goods sold for exports, as well as to a refund of the turnover tax taken by the state budget during the individual phases of exports production. Refunds of tariffs do not apply, however, to exports calculated at official prices. Such refunds are implemented through the foreign trade minister's compensatory account, into which flow, in addition to the above-mentioned compensatory charges, import tariffs collected by the Main Customs Office.

In contract-price imports, transaction prices should, as a rule, be increased by the foreign trade enterprise's profit margin or commission and possibly by the turnover tariff and tax. In the case where materials that are centrally distributed are imported (normally financed from means that are available to the foreign trade minister), the purchasers will be credited with transaction prices if the purchase will be financed from a foreign-exchange allowance, and the official prices will be lower than the transaction prices.

In exports, contract prices may be, as a rule, close to the transaction prices. In the case where the domestic price offered is higher than a transaction price that could be obtained, the foreign trade enterprise has the right to demand the producer's calculation of the total costs of production. If the transaction price, corrected by the profit margin or commission, will be higher than the contract price, the difference may be divided between the foreign trade enterprise and the producer on the principles regulated by the pertinent contract. One of the regulations (Order No 106 from the Minister of Finances and the Minister of Foreign Trade, dated 31 December 1981) states that in the case of contract prices in exports, the producer may calculate into the price a rate of profit no higher than that obtained in domestic sales. This determination has aroused much controversy in productive enterprises. It is said that this is not a stimulant for the development of export production. An examination of the complex of regulations, however, shows that the following interpretation should be applied to this statement:

--the contract price for export can be higher than the domestic price if it does not exceed the transaction price reduced by the enterprise's profit margin and commission (the producer, at the very least, has the right to share in the difference between these prices);

--the regulation discussed is to act as a restraint on excessive increases of contract prices in relation to the level of the obtainable transaction prices.

The profit margins applied by the foreign trade enterprises in settling of accounts for official prices are approved by the foreign trade minister. Profit margins and commissions in turnovers calculated by profitable, from the standpoint of foreign trade, controlled and contract prices, are negotiated between the foreign trade enterprises and the enterprises--suppliers for exports and buyers from imports.

(Contracts: Foreign Trade and Industry)

The change in the planning formula (independent planning of operations) and the ability of the domestic suppliers and purchasers to select foreign trade enterprises of a similar product specialty, have brought new quality into the area of foreign trade-industry contract relations. Contracts, or rather the system of contracts--general-type contracts (understandings on cooperation, annual, quarterly, monthly understandings, purchase-sales contracts) fulfill a series of functions, the most important of which are the following:

--stabilization of mutual relations and a guarantee of their continuity,

--a definition of joint tasks in the area of foreign trade,

--planning consistency,

--disciplining of execution of assumed obligations,

--determination of principles of cooperation (for one's own account, commission sales, agency, mixed forms), types of prices applied, etc.

It should be emphasized that in cooperation on the basis of commission sales, the commission profits of the foreign trade enterprise do not include the expenditures borne by these enterprises for other domestic enterprises in connection with promotional or display activities, or in connection with arranging for advertising, selection of tenderer, receipt and training, as well as foreign exchange expenditures related to contract performance. These expenditures are settled directly with the appropriate domestic enterprises.

Technical service of export deliveries is financed by the enterprises that are authorized to engage in foreign trade out of the so-called foreign trade technical service fund. This fund is intended to cover the foreign exchange costs arising from: operating spare-parts consignment warehouses abroad, material and personnel costs for permanent technical service stations and emergency technical services. The technical services fund is created in the division into payments areas from allowances charged to general costs according to percentage rates applied to the implemented export. The rates are established by the foreign trade minister in consultation with the finances minister. The enterprises authorized to conduct foreign trade create an orders-canvassing fund.

This fund is earmarked to cover foreign exchange costs of advertising, exhibits, fairs, material and personnel costs of foreign representatives, official trips abroad, membership dues in international organizations and to replenish the technical service fund within the framework of this same payments area. The fund is established in the division into payments areas from allowances charged to general costs according to percentage rates in relation to the value of the export implemented. The allowance rates, separating the percentage share of means for foreign travel, are approved by the foreign trade minister in consultation with the finance minister.

Gains from Exports

An analysis of the regulations issued thus far in the area of reform in foreign trade shows that in the light of the decisions that have been made, the direct gains from exports for enterprises include the following:

--preferences in material and energy supplies in view of including exports in operational programs,

--obtainment of foreign exchange allowances to finance the import of coproduction materials, supply materials, spare parts, and also machinery and equipment to increase productive capacity for export purposes,

--improvement in the economics of production by increasing the degree of utilization of existing productive capacity and reducing unit costs,

--increased flow of receipts by enterprises through recovery of turnover tax and tariffs collected on raw materials, semi-finished products and coproduction elements consumed in the individual phases of production of export goods and calculated according to contract or regulated prices.

--obtainment, with profitable export calculated according to regulated or contract prices, additional income from favorable differences between transaction prices and domestic prices (these differences may be ultimately divided between the producer and the foreign trade enterprise according to the rules specified contractually).

--obtainment of prizes from the foreign trade minister's fund intended to stimulate export production,

--possibility of obtaining licenses for independent activities in foreign trade.

In the solutions accepted, the special separation, at the producers, of profits in exports, out of which a fund for prizes and development would be financed, reducing the amount of "total" profit subject to taxation, as postulated by some economists and management practitioners, was not considered.

Among the most important indirect gains which the enterprise can count on in connection with the implementation of export production are the following:

--an increased ability on the part of the enterprise to adapt to the changing internal situation,

--speedier application of technical and organizational progress, and a greater general inclination toward innovation and developmental growth.

--renewal for the enterprise and its product (for export is and will be an element which elevates the rank of the producer).

Reform and the Economy's Export Efficiency

The scale of internal imbalance in our economy and the indebtedness curve mean that in the 1980's the growth rate of exports must be higher than that of the generated national income. Therefore, efficient, and thus effective and rational management of foreign trade is a matter of strategic importance. This issue cannot be treated instrumentally because the way in which foreign trade functions will and should reflect the nature of the functioning of the entire economy. At the present moment supply and foreign exchange difficulties obscure our economic horizon, but it should be remembered that at the beginning of the 1980's we are just starting to touch upon such systems matters as for example:

--the active role of the currency exchange rate, including, as a result, its price-fixing function in relation to goods that are exported, imported, or can be an object of export, but are consumed in domestic production;

--The level of domestic prices on the producer's market with a minimally developed internal competition and almost no external competition;

--A consistent policy in the area of production and export subsidies and profitability;

--A pro-export investment policy.

The traditionally too-low export efficiency of our economy is basically linked with the inefficient management of our entire economy and foreign trade. The systems problems appear again on the threshold of reform as the greatest danger and challenge.

Whether to correct the recently implemented supply prices, based on an exchange rate of 50 zlotys to \$1, when the present exchange rate in effect is 80 zlotys to \$1, or to wait and observe the development of the price-cost situation in 1982; whether to raise the exchange rate to over 100 zlotys to \$1 as early as the first quarter of 1982, or not--these are only the most elementary questions connected with the management of the entire economy and foreign trade.

We will have to find more effective methods to compel higher management efficiency, and we will not avoid the problem of rationalization of costs. A very significant increase in the prices of industrial articles on the domestic market would not be a problem if it were linked only with an increase in profits and not with coverage by a self-financing formula and excessive costs. The problem of costs and economic competitiveness will come into complete focus only when it collides with the realities of the international market. Foreign trade will have to find itself in the thankless role of economic and technical verifier of the whole economic system and the progress achieved in managing the economy.

9295

CSO: 2600/461

DIRECTIVE ON FINANCING ENTERPRISES PUBLISHED

Warsaw RZECZPOSPOLITA in Polish No 17, 2 Feb 82 p6

[Directive of the Minister of Finance, dated 31 December 1981, on the Detailed Principles of the Financial Economy and Their Application to Specific Aspects of Certain State Enterprises in 1982]

[Text] Chapter 1. Clearing of Amortization Allowances

§1. 1. The enterprises turn over amortization allowances on fixed assets and legal and nonmaterial value to the development fund and the income of the appropriate budget by the 15th day of each month for the current month. Possible corrections in the size of amortization allowances (including those from unused production capacity) are made in the month following the month in which they occurred.

2. The annual clearing of amortization allowances is performed by the date specified for making the annual financial report.

Chapter III. Allowances from Profit for Bonuses and the Reserve and Development Funds

§23. 1. The amounts allocated from profit for distribution to the funds for reserves, profit bonus, and development are deducted for the appropriate funds for quarterly and annual periods. The calculations and allowances for quarters should be made on an increasing basis from the beginning of the year.

2. For quarterly periods the enterprise makes a deduction out of profit for distribution, minus the allowance for the vocational activation fund, for the reserve, development, and workers bonus funds and for the fund for other purposes and needs, after the amounts deducted for the previous quarters have been subtracted, taking that percentage of the profit made up to the end of the quarter for distribution, in keeping with the percentage of allowances out of profits provided for these purposes in the annual plan. These allowances should be deducted by the 20th day of the month following the end of the quarter.

3. Charges from the increase in mean wages and the compulsory reserve fund allowance are deducted within 10 days of the date on which the balance is ratified.

The allocation of the rest of the annual profit for distribution as an additional allowance for the reserve fund, the development fund, and for bonuses for workers and other purposes and needs is made on the basis of the ratified balance-sheet, in keeping with the decision of the enterprise.

4. The differences between annual profit allowances and quarterly profit allowances deducted during the year for the reserve, profit bonus, and development funds and the fund for bonuses for workers are to be cleared within 10 days of the date that the annual balance-sheet is approved.

5. Individual payments amounting to 25 percent of these allowances may be made out of the profit allowances for bonuses to the workers.

Chapter IV. Financing of Working Capital

§24. 1. The enterprise finances working capital using its statutory fund, fixed obligations, and bank credit.

2. The enterprises which manufacture by order products which have a long production cycle, especially enterprises of the ship-building industry and the heavy machinery construction industry, as well as construction and installation enterprises can finance production in the course of advances obtained from customers, in keeping with the agreement made with them.

Chapter V. Financing of Investments

§25. 1. The application to award a budget subsidy to finance central investments which have begun should include a proposal concerning the investment's source of financing and justification for the proposal, including that from the viewpoint of the economic effectiveness of the investment and an assessment of the enterprise's financial situation during the execution of the investment and after the fixed assets obtained as the result of the investment have been put into operation.

2. The application for award of a budget subsidy should be submitted for opinion to the Minister of Finance and the chairman of the bank which is to finance the investment under consideration in the application, before the application is submitted to the body which is to make the decision.

3. If the decision to begin a central investment in 1982 has not specified the investment's financing source, a budget subsidy for the purpose may be granted by the founding body, within the framework of the amount of budget credit for investments established in the 1982 budget law. The appropriate regulations of paragraphs 1 and 2 are applied to the request for the granting of the budget subsidy.

§26. 1. The construction of houses for functioning residences and other nonproduction investments included in the investment undertaking's technical-economic assumptions which have been approved are financed in the manner appropriate for basic investment tasks.

2. The bank may make the granting of credit to finance the enterprise's investment dependent on its allocation of development fund money to finance all or part of the nonproduction investments discussed in Paragraph 1.

§27. The costs of preparing the enterprise's investment for execution, except for the investments discussed in §28 and 29, are financed out of development fund money. Included in the costs of preparing the investment for execution are in particular the costs of drawing up the technical-economic assumptions and the simplified investment documentation, the acquisition of the land for construction, and the geological research and geodetic measurements related to the planned investment.

§28. The costs of preparations for execution of social and housing plant investments are financed out of the funds designated for these investments.

§29. 1. The costs of preparing central investments for execution are financed out of the budget subsidy.

2. The budget subsidy for financing the costs discussed in Paragraph 1 can be allocated during 1982 by the Minister of Finance out of the general Council of Ministers' reserves after a decision has been made by the chairman of the Council of Ministers Planning Commission specifying the size and scope of the costs of preparing the central investment for execution.

3. The budget subsidy needed to finance in 1983 costs discussed in Paragraph 1 may be planned in the budget draft for that year after the passing of the decision discussed in Paragraph 2.

§30. The costs of preparations for executing an investment which is later given up are treated as outlays without economic effect.

§31. Investment outlays connected to the buying of fixed assets including the value of their purchase and the costs of dismantling, transport, new installation, and necessary remodelling and overhaul are financed out of the development fund.

2. For the financing of the outlays discussed in Paragraph 1, the bank may grant credit consisting of repayment out of the development fund for the period set in the credit agreement.

3. The regulations of Paragraphs 1 and 2 also apply in the following instances:

1) purchase of buildings, structures, machinery, equipment, vehicles, and other fixed-asset type objects which have not been turned over for use [completed] from other investors,

2) purchase of fixed-asset type objects bought or created in the course of work on the development of science and technology, from performers of the research,

3) outlay of funds related to the installation of machinery and equipment leased from other enterprises.

4. The regulations of Paragraphs 1-3 do not apply to appropriate outlays made in connection with plant social and housing activity.

In such instance these outlays are financed out of the funds allocated for plant social or housing investments.

§32. If defined in the technical-economic assumptions or simplified documentation of the investment, the costs of buying a license, the costs of maintaining the enterprise in the structure, the costs of starting up a new enterprise, plant, or department, and the expenditures related to the training of work forces as necessary to start up production are financed out of the funds allocated to finance the investment.

§33. The purchase of the right to ownership of utilitarian facilities in edifices built by other investors is financed out of the development fund.

Chapter VI. Financing of Technical and Economic Progress

§34. 1. The financing of technical-economic progress in the enterprise encompasses the financing of research and development. In addition, this financing includes the purchase of patents, utilitarian models, experience, documentation, and licensing to apply them.

2. The financing of research encompasses scientific research and development consisting of the improvement of the organization, technological processes, and modernization of the goods produced and of the preparation to produce new products during the period prior to decisions to put the results into practice or finish them in another form (for example, in the form of drawing up documentation).

In particular the financing of developmental work encompasses the following work:

1) construction, technological design, and experimental work, including the construction and trial operation of equipment and experimental prototypes,

2) work concerning the organization and economics of the enterprise,

3) concerning standardization, including unification and typification of products, equipment, and technological processes,

4) related to the development and assessment of discoveries.

3. The financing of inculcation includes work undertaken on the basis of the enterprise's decision to apply research results, including the application of inventions, both its own inventions and those bought in the form of licensing, projects connected to the start-up of production of new items or the modernization of goods being produced and new manufacturing methods, prior to beginning industrial-scale production; in particular this includes work related to the following:

1) drawing up full technical documentation, including the drafting of standards and documentation in the realm of typification,

2) execution of industrial prototype, the first set of implements and instruments, and trial installations,

3) the execution of a test series of a new product, and in justified instances also the informational series of a new product, the conducting of tests, and the introduction of corrections following the tests.

§35. 1. The enterprise finances research out of the technical-economic fund, but if it does not form such a fund, out of operating costs it covers its research costs, using the development fund to supplement the amount.

2. The costs of performing research also includes the costs of buying or designing the construction and installation of special apparatus or equipment related to the execution of specific research work, and in the case where this apparatus and equipment corresponds to the criteria set for fixed assets.

3. The enterprise which in 1981 has made deductions for the technical-economic progress fund will create a technical-economic progress fund in 1982 out of their direct costs of deductions and allowances as expressed as a percentage of the value of revenues from sales as specified in §32, Paragraph 3 of the resolution, minus the turnover tax and plus the special-purpose subsidies and the compensatory allowances and payments for exports. The percentage rate of the allowance is based on the rate of the annual allowance designated by the founding body in relation to the value of revenues. The founding body establishes this amount within the limits specified in the plan for 1981. The sizes of these amounts for the various ministries in the current organizational scheme are set in the appendix to the directive.

4. Independent of the allowances encumbering the costs, the following are allocated for the technical-economic progress fund:

- 1) part of the development fund as determined by the enterprise,
 - 2) income from sales of components of assets bought or manufactured during the course of carrying out research financed out of the fund minus the costs related to sales,
 - 3) the grants-in-aid discussed in §47, Paragraph 4 of the resolution,
 - 4) interest on the fund's assets accumulated in a separate bank account.
5. The following cannot be financed out of the technical-economic progress fund:

- 1) costs of preparing future operation of newly constructed plants and departments of the enterprise,
- 2) costs of preparing unit and small-series production.

§36. 1. The enterprise allocates the technical-economic progress fund to:

- 1) cover the costs of operation designated in the enterprises statute for research and development centers, laboratories, design offices, and other units of research and development, minus the income from the sales of the work performed by these units on outside orders,
- 2) finance any research essential to the organizational and technical progress as performed in the enterprise's production departments and plants and other units not specified in the statute as separate research and development units,
- 3) repay research work performed at the enterprise's request by foreign units,
- 4) cover all or part of the incultation work costs and the costs of carrying out projects for inventions completed with a negative result or with results not equivalent to the costs incurred,
- 5) payments for the centralized fund.

2. The financing of the work discussed in Paragraph 1, Points 2 and 3, takes the form of payments for the work done, and the invoices from internal sales or agreements with an outside unit for performing the work and the principles of setting the prices used by the unit (plant) performing the work are the basis for the clearings and payments.

§37. The costs of incultation work do not include investment ventures.

§38. The costs of research and incultation encumbering the direct costs of the enterprise's operation can be cleared over periods longer than a year according to the principles generally in effect.

Chapter VII. Final Regulations

§39. 1. Suspended as of 1 January 1982 are the actions of the enterprise funds perviously created as part of the costs which on the basis of the resolution or this directive or other regulations in effect will not operate in 1982 in connection with the financing of operations in 1982.

2. After 1 January 1982 the enterprises up until 31 March 1982 will clear the allowances for funds discussed in Paragraph 1 and amounts due and will repay these funds' obligations for 1981 and previous years.

3. As of 31 March 1982 the funds discussed in Paragraph 1 will be eliminated. Their equivalent as of that day, established after the performance of the clearing discussed in Paragraph 2, will be subject on that day to clearing with the centralized account discussed in Appendix No 12 to the resolution.

4. Regulations of Paragraphs 1-3 will apply respectively to the funds of associations not included in Appendix No 12 of the resolution.

§40. The directive goes into effect as of 1 January 1982.

Minister of Finance: Marian Krzak

10790

CSO: 2600/437

FIGURES FURNISHED ON 1981 CROPS, YIELDS

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 1, 8 Feb 82
pp 35-36

[Article by Leslaw Zalewski: "Results of Crop Production in 1981"]

[Text] The production results of many crops in the past year were affected seriously by the unfavorable conditions at the beginning of the production cycle. In particular these include the leaching of a considerable amount of nutrients from the soil as the result of the floods, the destruction of the soil's granular structure in part of the sowing area, the delay in autumn work in 1980, the trend toward decreased livestock production (which is still important in organic fertilizing), the slackening of the fight against sicknesses and pests, and so forth. The generally favorable atmospheric conditions during last year's spring-summer growing period and crop harvesting did not fully compensate for the losses caused by the aforementioned factors, as well as by the shortage of mineral fertilizers and pesticides.

The yields of grain, 19.7 million tons; and of potatoes, 42.6 million tons, although higher than the 1980 yields, (respectively by 7.6 percent and 61.2 percent) were somewhat lower than yearly averages for the period 1971-1980 (grains, 20.2 million tons; and potatoes, 44.9 million tons).

Oleagineous crop seed yields amounted to 494,000 tons, hence, they were below the 1980 yields by 14.8 percent, and by 19 percent below the last decade's average.

Grains Below the Multiannual Average

The increase of the general grain sowing area as compared to the years 1977-1980, which took place in spite of considerably less winter grain sowing, should be considered a favorable development.

Total average grain yields amounted to 24.9 quintals per hectare, i.e., 1.5 q/ha more than 1980, but by 0.2 q/ha less than the average for the 1971-1980 period.

Last year grain, particularly rye and oats, was harvested from a number of fields with light soils, which for the most part were lighter than usual because of a deficiency of nutrients.

In the specific sectors according to the ownership of land the general yields of grains were:

--State Farms of the Ministry of Agriculture	26.0 q/ha
--Producer cooperatives	22.6 q/ha
--Agricultural circles	17.6 q/ha
--Nonsocialized economy	25.0 q/ha

In the past year more even yields were achieved. The difference between the nonsocialized economy and, e.g., State Farms of the Ministry of Agriculture amounted to 1.0 q/ha (in favor of the State Farms), while the 5-year average has been set at about 5.5 q/ha.

The highest total grain yields were achieved in the following voivodships: Poznan (30.7 q/ha), Legnica (30.1) and Leszno (30.0), and the lowest in the voivodships of : Ostroleka (20.1 q/ha), Bialystok (21.2), Sieradz (21.7), Piotrkow (21.8) and Slupsk (21.9). The difference between the highest and the lowest voivodship results amounted to 10.6 q/ha.

The Area Planted to Potatoes the Lowest in 30 Years

Although potato yields were higher than the catastrophic 1980 yields, they are one of the lowest attained in the last 20 years. Lower ones than last year's were attained only in 1962, 1971, 1977 and 1980.

The level of last year's potato yields was influenced by the unfavorable decrease of the cultivated area to the lowest figure in 30 years. The decrease of the cultivated area for potatoes is the outcome of a long trend of land restrictions, as well as seed-potato shortages last spring.

Potato yields have been estimated to be 188 q/ha, which is 75 q/ha higher than those of 1980, and 11 q/ha higher than the last 10 years' averages.

Because of the considerable contamination of the seed potatoes with potato blight, and the ineffective campaign against it (because of the shortage of chemicals) during the growing period, quantitative losses in yields occurred, and also the quality of the harvested potatoes is relatively poor in many cases. This results in considerable losses during storage.

The average yields of potatoes in particular sectors according to land ownership were:

--State Farms of the Ministry of Agriculture	173 q/ha
--Producer cooperatives	165 q/ha
--Agricultural circles	142 q/ha
--Nonsocialized economy	190 q/ha

The highest yields of potatoes were attained last year in the following voivodships: Bialystok (212 q/ha), Kalisz, Lublin and Zamosc (209 q/ha each), and the lowest yields were in the voivodships of Zielona Gora (143 q/ha), Elblag (157 q/ha), Ostroleka (161 q/ha), Tarnow (164 q/ha), Kielce and Legnica (167 q/ha each).

Treating the grain and potatoes as agricultural products which can be mutually substituted in many ways, especially as livestock feed, it is estimated that the combined production of grain and potatoes expressed in terms of grain amounted in 1981 to 30.4 [million] tons, i.e., 21.8 percent more than in 1980, but at the same time 3.4 percent less than the average results attained in the last decade.

Average Grain Yields in 1981 (q/ha)

Seed corn	42.0
Winter barley	30.5
Winter wheat	30.3
Spring wheat	27.3
Spring barley	26.9
Grain mixtures	26.4
Oats	23.6
Rye	22.4
Buckwheat, millet and other grains	9.3

Last year's crops of grain and potatoes, expressed in terms of grain, compare as follows with 1980:

--State Farms of the Ministry of Agriculture	higher by 5.0%
--Producer cooperatives	higher by 7.4%
--Agricultural circles	lower by 32.8%
--Nonsocialized economy	higher by 25.2%

Last year, in all the voivodships except Zielona Gora, Legnica and Opole, there was an increase over 1980 in combined harvests of grain and potatoes, expressed in terms of grain.

In the Zielona Gora voivodship last year's combined crops of grain and potatoes, converted to grain, are lower than those attained in 1980; it is a result of decreased grain crops and low yields of potatoes (143 q/ha), because of unfavorable atmospheric conditions (floods). The yields of grains were lower in the Legnica and Opole voivodships.

Large Losses of Oleaginous Crops

With the exception of the year 1979, the yields of oleaginous crops attained last year were the lowest in the past 8-year period. The poor crops are a consequence of the small area of rape crops and relatively low yields.

Out of the area of 323,750 ha on which the winter rape was sown in the fall, seeds were harvested from 277,311 ha, and the remaining part of that area was plowed over--as a consequence of winter and spring losses.

The average yield of the oleaginous crops was 17.2 q/ha, of this--17.3 q/ha in the state farms, whose share of 71.2 percent is the major part of the crops, and 16.9 q/ha in the nonsocialized sector.

The highest yields of rape were attained in the following voivodships: Białsko-Biała (25.4 q/ha), Poznań (21.9 q/ha), Katowice (21.8 q/ha) and Gdańsk (21.2 q/ha), and the lowest yields were in the voivodships of Białystok (8.2 q/ha), Siedlce (8.4 q/ha) and Biała Podlaska (9.4 q/ha).

Good Yields of Sugar Beets and Fodder Crops

Harvesting of 15.8 million tons of sugar beets in 1981, i.e., 5.7 million tons more than in 1980, and 7.8 million tons more than the 1971-1980 averages, is mainly the result of good yields of these crops. Although the planted area increased compared to 1980, it was considerably smaller (by 5.4 percent) than the last 5-year period average.

With a 336 q/ha average, the yields of sugar beets were:

--State Farms of the Ministry of Agriculture	278 q/ha
--Producer cooperatives	284 q/ha
--Agricultural circles	247 q/ha
--Nonsocialized economy	343 q/ha

The highest yields of sugar beets were attained in the following voivodships: Żywiec (382 q/ha), Piotrków (370 q/ha), and the lowest ones in the voivodships of Jelenia Góra (219 q/ha), Słupsk (231 q/ha) and Suwałki (260 q/ha).

Last year's weather was favorable for fodder crop production.

It is estimated that the harvests of the various kinds of fodder were:

--Meadow hay	14.7 million tons
--Hay from field crops	9.8 million tons
--Green bulk corn	21.0 million tons
--Fodder-root	10.8 million tons

This production is 20.2 percent higher than the one attained in 1980, as well as 7.0 percent higher than the last 5-year average.

The fodder situation, especially for the ruminants, is therefore relatively good, and this can become a basis for the development of animal production.

Diversified Conditions in Gardening

The production of vegetables has been estimated to be at the level of 4.7 million tons, i.e., 3 percent more than the highest ever achieved, that of 1979. After years of poor crops, high yields of tomatoes and cucumbers were attained in the past year. The crops and yields of onion and beets can be considered to be relatively good.

The production of fruit has been estimated at 1.3 million tons, i.e., 20 percent less than the 1980 results, and 24 percent less than the 1976-1980 average.

Apple trees had few apples last year, especially those outside the orchards, which, because of pesticide shortages are poorly protected against the pests and diseases, the same with the plum trees, in view of their variable fructification.

Compared with the overall evaluation of the plant production situation pertaining to the whole country and to particular forms of farm ownership and voivodships, the results vary in individual farms. They are influenced by highly diversified production conditions.

9644

CSO: 2600/415

HOUSING CONSTRUCTION PROBLEMS ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish No 6, 28 Feb 82, pp 1, 4

[Interview with Tadeusz Opolski, ministry of industry and housing construction, by Teresa Gornicka; date and place not specified]

[Text] [Question] Even under the crisis conditions of Poland's economy, one cannot resign oneself from meeting the minimum housing needs. Our housing construction today is unable to achieve that task, despite the fact that during the 1970's its capital goods tripled. My question is as follows: with its current equipment, is housing construction able to accommodate itself to such methods by which to implement the housing program during the crisis?

[Answer] The question implies that inefficiency or even incompetence in housing construction is what threatens meeting of housing needs. Now more than ever before, an opinion like this is mendacious. Universally known are the problems of complete utilization of construction potential. There are people to build, but the problem is with what. Unfortunately, construction of apartment houses requires goods and materials produced by almost every industrial branch. The decline of industrial production also has caused a considerable deterioration of construction supplies. Production renewal of these goods guarantees the development of housing construction. Thus, we cannot speak about which program of housing construction is to be implemented, but rather we must speak first about the program to rebuild our economy.

[Question] However, that was not a question without basis. The problem of inefficient means by which to implement housing construction is not now. This concerns both technological solutions as well as organizational. These are known issues, so it is unnecessary to develop this thought further.

[Answer] Let us not discuss opinions but rather concrete issues. During the past two years, the lack of material supplies have become the reason for a regression in housing construction. Recently, the ministry conducted a field investigation to determine the causes for the low implementation in January of the construction plan. Results showed conclusively that the apartments were not finished because of a lack of basic materials for their completion; e.g., bathtubs, gas stoves, lavatory bowls and finally flooring materials. There was also a shortage of power cables to connect the structures. This

does not constitute the entire list, but without these elements it is impossible to turn the apartments over for use.

[Question] Could the floors not have been laid with wood?

[Answer] To a certain degree, we could replace chemically-derived flooring with wood, and it is being done. For example, in an inactive house-building factory in Kielce production of flooring board was begun, and so the enterprises have floor material. But this is not such a simple problem. What would happen if we were to adopt this solution for several million square meters of floor space; i.e., to lay wood floors in every apartment available this year? This "floor revolution" would change the wood balance in the country, call for the necessity to set into motion the suitable machinery for its production and require increased glue production to lay the wood floors. Even if we were to acknowledge this as possible, it most likely would not succeed from month to month.

[Question] But let us look at this from a broader point of view. If you were to limit the very highly cement-intensiveness of our housing construction, which is the result of currently used technology, you could export the cement, and from the earned foreign exchange income, purchase components and raw materials that would facilitate the production of bathtubs, cables and so forth. This is of course a simplified understanding, but such dependence has to be shaken. And construction itself decides on how the apartments will be built and with which technology.

[Answer] In my opinion, the question as to which materials will be used in construction is rhetorical. The one thing we do have is a prefabrication factory. It is true that it was very capital-intensive, but it is an investment effort already started. It can be said that large-panel technology is more material-intensive than traditional, but all raw materials and materials needed to produce prefabricated products originate domestically. If there are problems with rolled goods, let us not forget that even during the best years construction did not use much more than 10 percent of the national production. Thus, it is an issue of taking into consideration our construction needs within the policy of distributing the materials.

This does not mean that we acknowledge the material-intensiveness of large-panel technology as Holy Sevit. It is a technology that requires improvement. We have undertaken a very specific effort to reduce material-intensiveness. Constructive solutions are ready, for example, to eliminate the large-panel load-bearing walls from the buildings and to replace them with average partition walls. Without going into the technical details, it is a course that will save an insignificant amount of cement and steel in our housing construction. There are new means available for heat conduction which will correct the insulation rating in apartment buildings. This will allow for fuel savings in the apartments. Specific efforts have been undertaken to eliminate leaks and freezing of outside walls, which have caused many problems in the past. Construction costs have risen considerably through elimination of these efforts but I would agree with the view that present

large-panel technology contains numerous shortcomings that compromise and lower its efficiency. This must be changed.

[Question] I do not have to remind you that there have already been programs that were supposed to improve large-panel technology.

[Answer] However, there are new circumstances facilitating the initiation of this kind of program. Generally, these programs can contribute to reducing construction costs. Their ally is reform. The enterprise will stop chasing after processing results and start looking for ways to increase profits. One of these ways is to use solutions that are less material-intensive. Partition walls take advantage of this because they make money. In the same way, an enterprise can no longer permit itself to use outside wall solutions, because eliminating leaks and freezing is very costly.

[Question] And in your opinion, will these independent and self-financing enterprises not begin to look for alternatives to every large, industrial method? What can be said today on this subject?

[Answer] I can speak only about my own views. Enterprises will have to resolve this dilemma on their own and with their own means. The minister of construction cannot order an enterprise to use a certain technology nor tell it to build a large or a small installation. As the functional ministry, we can specify only the obligatory technical norms.

Of course, we maintain regulations for formulating certain, general principles of technical policy. For example, we have established the following principles with respect to large-panel technology. A decision has been made to close seven factories building the oldest homes, because they were built at the end of the 1960's. We shall also close gradually prefabrication plants producing in accordance with various regional systems which are for the most part very material-intensive. During the next several years, more plants will be eliminated for natural, technical reasons. In essence, I do not foresee a comprehensive course of modernization to keep them alive. There are a few exceptions in large agglomerates like Warsaw or Katowice where it is difficult to imagine the future of housing construction without them.

The ministry is currently working on a technical prognosis for multi-family housing construction. Scientific studies were included in this effort. It is still too early to state how we see the future. I bring up the issue, however, only to show you that large panels have not prevented us from seeing new things.

[Question] Are there any cases whereby enterprises are cutting out their housing factories simply because they threaten their economic independence?

[Answer] There are some cases. Let us recall, however, where the problem arose. Otherwise the large panel would become a symbol of housing construction misfortune. The entire capital investment program based on prefabrication was implemented in the 1970's, when, in accordance with the plan to resolve the housing problem, it was decided to considerably accelerate construction after

1980. And because regression took place rather than acceleration, many existing housing factories are working at 50 percent capacity. Of course, this has a disadvantageous influence on the formation of economic ratios in the enterprise.

Thus, there are cases like Suwalki, where the voivodships took control of housing construction but turned the housing factories over to us. Some enterprises take the view that they should be freed from their credit obligations acquired during construction of prefabricated bases. Still others put forward proposals to exclude from amortization costs not only prefabrication plants but also a portion of the equipment that is conserved and recognized as nonusable. But I would also add several examples where the enterprises earmarked the housing factories for other production; e.g., components for the needs of urban engineering.

[Question] How are the proposals put forward by the enterprises treated?

[Answer] We acknowledge each one and attempt to treat all of them in accordance with the enterprise's interests. For example, there are other problems like how to utilize working capital in the enterprises and acknowledgement of production means as nonusable, which are already generally regulated. Self-government cannot be forced upon an enterprise if suitable conditions of self-government are not created for it.

In general, instituting the principles of economic reform in construction is especially complicated. I am not saying this to demonise these difficulties nor to impair the sense of reform. On the contrary, I feel that construction cannot function even a month longer with the current system. This means the entire muddled pricing system, clearing of accounts, increasing losses and imperfection in the incentive system. Even if we were to overlook the economic consequences, it is psychologically unbearable. Conversion to a new management system is difficult, but we must change sooner or later.

We are doing our best to facilitate the enterprises' adoption of the new operating principles. I must say that the lack of qualified economic personnel in construction is strongly felt at this time. The previous management system, along with the entire aggregate pricing system, clearing of accounts did not create this type of specialist.

At first glance, it appears that there are enterprises that have easily adopted the reform principles. They have a plan of action and are already operating on the new system. One can even read ads in the press concerning the sale of marketable cement for private consumers. Undoubtedly, the future belongs to those enterprises that can maximize their production and save their economic existence even under these conditions. But there are also those that are awaiting the course of events. They ask for instructions on every matter; e.g., even for such daily concerns as figuring the 13-month pensions. They are accustomed to the recommendations of investors, and thus they are not attempting anything on their own. They are facing the problem today of a drastic reduction in production potential.

On 1 March a new credit system containing rigorous principles will take effect. There is no longer any way to maintain excessive employment or excess inventories. And one can also count on the fact--and I state this not without sadness--that the units with too little vitality face the threat of elimination.

[Question] At the beginning of our discussion, you stated that we cannot build apartments correctly, because we are lacking bathtubs, cables, stoves and so forth. If construction cannot handle the situation now with the centralized distribution of materials, then the self-governing enterprises will have even more problems.

[Answer] Material supply must be corrected. And it will be corrected. It is true, moreover, that production potential exists to start production of goods in shortest supply. The lack of some imported raw materials is holding back their production. However, the enterprises must endure this difficult period. If they cannot take full advantage of the potential to build new apartments, then they can modernize or renovate, at least at the request of a private client, who will have to pay for the services. We shall work as quickly as possible to remove the roadblocks to new housing construction. Presenting needs and formulating construction orders is a function of the Ministry of Industry and Housing Construction.

[Question] However, our discussion continues to revolve around the question about the indispensable changes in ways to implement the entire program.

[Answer] I think that one simply cannot answer that question now. I have presented here my views on large-panel technology. I also can add that I am not a strong believer in the rapid technological revolution, nor in its purpose and efficiency. However, what will come out of the new conditions after reform is difficult to say. Not only housing construction is involved here.

For my part, I can say that the ministry will support each concept, even disseminate it, if it will lead to the construction of better and cheaper apartments.

We have even prepared the groundwork for implementing such extraindustrial methods. At the initiative of our ministry, experts from the Association of Engineers and Construction Materials Technicians were hired to work out a plan for producing construction materials from local raw materials. Thus, it is an exact distribution of raw materials found in the country. There are exhausting indicators of the type of production to organize and the kind of machinery needed for the job. A list of potential producers who may be able to organize the production is also included. Decision No 8 made on 19 January 1982 by the Council of Ministers' Economic Committee has a very essential meaning for the development of this type of initiative. It really creates the necessary credit, economic and organizational conditions to commence production. I am not saying that the self-government and self-financing of scientific centers, as we already have observed, necessarily will break down the barriers between themselves and practice. Professional reports and technical guidance will become universally accessible.

[Question] One last question: will not the lack of qualified craftsmen limit the development of implementing the extraindustrial methods? Housing construction never had any problems with either operators or assemblymen, but there were permanent problems with masons, carpenters and so forth.

[Answer] This problem has been overcome to a large degree if not resolved. The disproportion in construction occupations resulted from differences in wages which were disadvantageous to the traditional occupations. These differences have been eliminated in the newly introduced wage system. During the past two years, intensive training in housing construction has taken place to train portions of the workers to work in areas having deficits. This had nothing to do with the changes made in implementation methods, but it was done simply because we have always had problems completing buildings as a result of a shortage of craftsmen.

In order to summarize our discussion, I would like to add that what we have discussed today is only a portion of the issues that will be included in the housing construction program. Such a program defining the state's comprehensive policy with respect to housing construction is currently being developed by the Ministry of Administration, Land Economics and Environmental Protection.

[Question] Thank you for the discussion.

9507

CSO: 2600/407

COAL PRODUCTION PROBLEMS ASSESSED

Warsaw TRYBUNA LUDU in Polish 9 Mar 82 p 4

[Article by staff writer Stanislaw Repfrowicz: "Results of Miners' Work--An Optimistic Symptom"; subtitled: "Who Hampered Output?--630,000 Tons per Day--More Coal--Quicker End of Crisis--Concern About Work Force"]

[Text] Since the introduction of martial law, the output of hard coal has been maintained at a steady, high level. The results of miners' efforts prove that Poland has real possibilities to emerge from the crisis. However, the realization of these chances depends on work--sensible, self-sacrificing and productive work.

Coal mining is a priority component of Polish national economy. In 1938 the output amounted to 38.1 million tons. In 1946 it reached 47.3 million tons; in 1947, 58.1 million tons; in 1955--in other words, 10 years after the end of World War II--it reached 95 million tons. It became obvious that People's Poland depends on coal. Old mines were modernized and new ones constructed. Mining operations have become mechanized. As a result, the Polish mining industry gave the country 201 million tons in 1979; that is, five times more than the prewar production. Poland became a leading coal power in the world.

These 201 million tons should be looked at from different angles. They were mined when the nation's economy was entering a critical stage. The mining industry, although equally burdened with serious difficulties, was compensating, with its production, for the misfortunes of other branches [of industry] and was effectively slowing a violent plunge in the national living standard.

What Does Coal Represent to Poland?

It is for Poland the principal source of energy, an important raw material for the processing industry, a distinct source of foreign exchange and also a heating fuel for a sizable portion of the population.

It is therefore no wonder that the antisocialist opposition, while attempting various scenarios for the takeover of power in Poland, particularly stressed lowering the effectiveness of the mining industry because this could result in a breakdown of the entire economy. With this in mind, one could observe

in Silesia an influx of emissaries of the Social Defense Committee (KOR), Committee of Independent Poland (KPN) and other organizations opposing socialism. Their irritating and inflammatory activity found fertile ground in social dissatisfaction resulting from well-known instances of a breakdown of law [and order], bureaucracy, etc.

Nevertheless, attempts at disruption of mining were encountering resistance for a long time. Silesia resisted the disturbances longest and this was not accidental. Work in such a dense concentration of industry, in particular deep below ground, demands orderliness, peace and neatness, respect for the professional hierarchy, experience, knowledge and good organization. Not only the work results but also human lives depend on observing these conditions. A realization of the importance of these factors was also expressed in the mildness of workers' protests during 1980, as well as in the production level of coal. In 1980, it amounted to 193 million tons, or only about 8 million tons less than in the "peak" year 1979.

Serious disturbances came later and were introduced to the mining industry from outside, from other regions of Poland. When, during the past year, there was peace in Silesia, Kuron from Gdansk, Bujak from Warsaw or Rulewski from Bydgoszcz arrived in order to raise the temperature of social feelings by "raids through the mines." Those spectacular attacks on the party or on the authorities that took place in the Szczyglowice or Sosnowiec coal mines became the proverbial two-edged sword. They created anarchy in the industry while simultaneously arousing a feeling of fear in a sizable portion of the mining populace; they evoked a feeling that something was wrong, that these adventurers were threatening their (the miners') existence. Many second thoughts were also aroused by acts of terrorism against those miners who voluntarily wanted to work on their free Saturdays.

Why Was the 1981 Plan Not Fulfilled?

The national socioeconomic plan adopted in December 1980 forecast production of 188 million tons of hard coal for 1981. This mandated, planned lowering of production was tied to the adoption, by the mining industry, of a 5-day workweek--because the authorities respected signed social agreements. At the same time economists have warned that any further lowering of coal production would have a negative impact on the entire economy.

In February last year Gen Wojciech Jaruzelski took over as premier. The new regime undertook energetic steps to guarantee planned production.

Among others, a so-called mobilization fund was established, designed to provide bonuses for miners who would voluntarily work on their free Saturdays. These material incentives proved very productive. However, the local authorities and the mining committee of Solidarity took a violent stand against them. Therefore, in order to preserve peace and while believing in assurances that the union itself would encourage miners to do additional work, the ministry cancelled the mobilization fund as of 25 April.

This concession, unfortunately, did not bring the expected peace; on the contrary, it resulted in a further reduction of production. During the second quarter [of the year] it became necessary to reevaluate the current plan downward to 172 million tons; however, even this proved too much for an industry torn by unrest. In July 1981, it became again necessary to review and revise the assumptions of the national socioeconomic plan, this time down to 168 million tons.

However, the authorities stopped giving in. Maj Gen Czeslaw Piotrowski became the minister of mining and power industry. In September 1981, the Council of Ministers passed Resolution No 199, establishing bonus payments to coal miners who would work on their free days. As expected, Solidarity demanded that the resolution be withdrawn. Nevertheless, their demands were not met. The union responded with a boycott of the resolution but this proved unsuccessful. Week after week, more and more miners worked on their days off. During the fourth quarter, the Anticrisis Operational Staff had to carry out the last revision of the plan, unfortunately again downward to 162 million tons. In the end, by 31 December [1981] hard coal production reached 163 million tons.

According to data provided by the Mining and Power Industry Ministry, the principal cause of such a catastrophic lowering of production was, above all, shortening the work time in the mines. This was 22 percent lower in 1981, as compared to the conditions prevailing to September 1980, when the mines were worked 6 days per week, some on four shifts.

Table 1. Average Daily Hard Coal Production in 1981

	From Monday through Friday (tons)	Saturdays (tons)
First quarter	607,601	228,453
Second quarter	613,036	156,581
Third quarter	592,573	145,471
Fourth quarter	597,200	253,179
Average during the year	602,461	194,798

The national sociopolitical situation and the [social] atmosphere in the mines were also exerting their influence on the coal production levels. Even with the shortened work time, production for 1981 could be some 9 million tons more than what it was, were it not for continuous strikes, protest actions, mass meetings, delays or refusals to go below, lowering of labor productivity, loosening of discipline and decline in supervisory authority.

Under Conditions of Martial Law

The proclamation of martial law allowed a decided majority of miners to return to normal life and work conditions, it ensured a feeling of security and a right to decide about one's conduct relative to work and it eliminated

individual terrorism, which was being applied by a particularly brutal minority against a majority of the workers.

Some of the activists, in particular the permanent apparatus of Solidarity, tried to organize a general strike. Despite 1 1/2 years of anarchistic activity, the plan did not succeed. The organizers found a following in only isolated mines, in a portion of young workers most susceptible to enemy agitation. A marked role was played by an inflammatory propaganda campaign of Radio Free Europe and the Voice of America. This resulted in a tragedy at the Wujek coal mine and in terrorist activity in the underground levels of the Ziemowit and Piast coal mines. Luckily it was possible to avoid any spread of these disturbances.

After the introduction of martial law, the miners quickly achieved the proper level of production and are maintaining it to this day. This oscillates around 630,000 tons of coal daily. This high level was maintained even on Saturdays.

What does this number represent? Above all it means that we did not freeze this winter. Production of energy was maintained--where it counted. Let us recall November and December with their frequent blackouts resulting from the necessary steps to limit the power supply. Today we no longer need the 20th degree of [power] supply. [TN: The expression "20th degree supply" possibly refers to a 20 percent power cut.] Thanks to the efforts of the miners, the noose in which our power supply has been held, has been loosened. The increase in coal production also permitted reconstruction of coal supply bins of large users. Considerably more coal has been sent to individual customers, in particular to farmers. Many coal mines had earmarked their extra production for the benefit of flood victims. It is also worth noting that in January 1.5 million tons have been exported.

With the coal production increase, the entire economy woke up. What happened in the coal mines after 13 December must be viewed not only as an economic but also as a moral phenomenon. The production of over 30 million tons during January and February--i.e., over 4 million tons more than in the corresponding period of 1981--is a tremendous success, which proves that it is necessary and possible to overcome the difficulties.

Causes of Changes

Let us ask a question: What was the deciding factor in the coal industry being the first, from all the economy, to emerge from the freeze? Militarization of the mines permitted a reinstatement of work discipline. Only against this background did it become possible for the beautiful traits of the miners to come to life; miners who traditionally always were examples of sacrifice. This profession, in its heavy underground work, forms a feeling of duty and responsibility toward the country and the nation.

Other causes can be found in the infrastructure of the mining industry. In comparison with the other branches, the mining industry became less dependent on imports. Almost all the machinery used underground is of Polish

manufacture; this facilitates the supply of spare parts. After a brief disturbance, the work discipline also was restored, which had been attempted over several decades. Everything that hampered the miners' efforts and suppressed the best traits of their profession has disappeared.

The present tempo of production must be maintained for the good of the country and the nation. We simply cannot afford to lower it because to do so would have a destabilizing effect on the entire economy.

There is, however, a problem of consolidating the achieved success because the situation in the mining industry still does not allow over-optimistic evaluations. The miners are not sparing their efforts; the effect, however, results from overcoming difficulties. Formation of a productive work atmosphere in the mines must be accompanied by an effort of work crews of other enterprises, those supporting the coal industry, directly or indirectly, or by those performing a service for the coal industry.

The ministry is making efforts to improve the material-technical situation in the coal mines. These programs have been formed into a special operational program of the government. The mining industry has at its disposal a strong base of technical facilities composed of, among others, plants that produce mining machinery and spare parts. These enterprises, in cooperation with scientists, are taking part in anti-import activity by manufacturing all kinds of substitute products for machinery and equipment that otherwise would have to be imported. Also the research-scientific centers in industrial mining enterprises have been urged to direct their efforts toward easing the heavy physical burden of coal miners. The research and development units, instead of busying themselves with highly theoretical scientific problems, should concentrate on problems of small-scale mechanization of the coal mines.

Certainly, the mining industry is not and cannot be self-sufficient. If the chemical industry failed to produce some special type of oil or conveyor belts for coal transport or even ordinary boots, there would be immediate problems with coal production. On the other hand, it is well known that completely most have certain components for its production that must be imported from capitalist countries; for their purchase one needs foreign currency.

Social agreements stipulate that miners work a 5-day workweek. The introduction of social law for the public good, resulted in a suspension of this privilege. Coal mines, as militarized enterprises, became subject to the 6-day workweek rule, which automatically, taking in account the present situation of the mining industry, obliged work crews to work on Saturdays. As a material compensation for this supplementary effort, the miners will receive privileges resulting from the Council of Ministers' Resolution No 199.

Increased Privileges

Nevertheless this is only a temporary solution. The authorities maintain that work in the coal-mining industry should be so reorganized that the miner would work 5 days per week; however, the coal mines would be worked 6 days per week.

It is only a question of finding a work model that satisfies the miners while being beneficial to the country.

On 1 February 1982, an amended "Miner's Charter" went into effect. It widens the privileges of this segment of the population, which has worked so hard for it. It contains, for example, some special honorary rights. The charter establishes that 4 December will be celebrated as miners' holiday, a work-free day. It also defines [miners'] degrees, titles and uniforms and a right to wear a ceremonial sword.

The charter also provides for a 5-day workweek, that is to say it guarantees all Saturdays free (this currently being temporarily suspended), assistance to newlyweds and also a possibility of earlier retirement regardless of age after working underground for 25 years.

The ministry is also making efforts to make it possible for a miner to purchase with his earnings (for example, extra pay for Saturday work) those items needed for everyday living.

Return to Foreign Markets

Not too long ago Poland was immediately behind the United States among the largest coal exporters in the world. The catastrophic drop of production had drastically lowered the amount of coal needed for export. In 1979, we exported 11.5 million tons; in 1980, 31.1 million; and in 1981, barely 15.1 million tons--thus losing billions of dollars and other foreign exchange.

Table 2 illustrates the lowering of coal exports (in millions of tons) to some traditional customers in Western Europe:

Table 2

	<u>1979</u>	<u>1980</u>	<u>1981</u>
France	4.6	3.2	0.7
Denmark	3.1	3.2	0.7
Finland	4.3	3.1	1.4
Italy	3.3	2.8	1.0
German Federal Republic	2.6	1.8	1.0

Mineral shortages caused by the reduction of Polish coal exports forced our previous commercial partners to compensate by increasing their imports from other countries, countries with which we have been in direct and successful competition for many years. During the past year, the following countries have entered our "permanent" foreign coal markets: the United States, the Republic of South Africa, Great Britain and even Australia. For example, the United States has increased its exports of coal from 59.5 million tons in 1979, to 86 million tons in 1981.

Our competition had simply profited from our crisis and the anarchy in our economy. Sales markets are lost easily but regaining them is very difficult.

We reported 2 million tons during the fourth quarter; we are planning to sell 3 million tons to foreign markets in the first quarter of 1982. Will we succeed? The results of the mining industry's efforts look promising--there will be coal; however, that is not all that it takes. We must overcome new difficulties in regaining lost foreign customers, those forced to contract with other suppliers. We also must face those difficulties connected with coal transportation, loading ships in ports, etc.

Help From the Military

Military assistance to the mining industry must be considered from several points of view. First, it is provided through commissars--plenipotentiaries representing the National Defense Committee (KDK). They are present in all coal mines as well as in several of the mining industry's enterprises. There is a coordinating staff operating at the ministerial level that is directing their efforts. The commissars represent an important structural element in the process of directing the mining industry under martial law; however, they do not replace the directors. Equally, they are not each other's superiors or subordinates. They work in parallel, on an equal level; they ensure the interests of the national defense in a given enterprise, for example, from the point of view of production output. The mining industry has preserved its old organizational structure because it was good; it also preserved its own system of communications and decisionmaking. The commissars--in difficult situations--assisted in solving problems. In this, their commitment, self-sacrifice and ideological awareness played a major role.

Trust and cooperation of the military is expressed in extra distribution (supplies). Soldiers, while undergoing specialist training, are participating in the development of railroad communications systems (or the [coal] industry). The mining industry is also working closely with military scientists, in particular with Military Technical Academy (WAT), who have developed and introduced many improvements in the mines, some from the realm of laser technology.

WAT's Glimpse to the Future

The mining industry is working with an eye toward the near and far future. The mines are being reconstructed, including coal mines in the Lublin Coal basin; several other mines are undergoing modernization; new coal seams are being opened for exploitation. Scientific research institutions are working on new exploitation of coal and its products.

At the 1981 and 1982 Miners' Day ceremonies, when the situation was at its worst, Gen. Andrzej Dworkowski spoke about the significance of coal in our country. "The mining industry has always played a tremendous role in Poland's economic life. However, there was probably no time in the past, when your work had more significance than today. The success of the planned reforms depends fundamentally on the results of miners' work, above all, on the amount of coal they produce. On this depends, in the most literal sense of the word, Poland's future."

The first 2 months of the year are proof that the coal miners are fulfilling the hopes that we are placing in them. To have sufficient coal--that means a lot. Coal is the cornerstone of our economic revival. Without coal we could not even dream about overcoming our economic difficulties. On the other hand--not everything depends entirely on coal!

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CSO: 2600/421

FACTORS INVOLVED IN DEVELOPMENT OF NEW ENERGY SOURCES

Bucharest SCINTEIA in Romanian 3 Mar 82 p 3

[Article by Elena Mantu]

[Text] In accordance with the Program-Directive for research and development in the field of energy, new sources of energy (solar, eolian, geothermal, recovered heat and biogas) now introduced for the first time in Romania's energy balance, account for 2.7%. What are the goals of experts in research, education and production with regard to this area, what do they do to extend the use of good results?

Undoubtedly, the utilization of unconventional energy sources, the application of the new approaches formulated by research, involve significant changes in the concept, production and operation of existing conventional installations, stated Engr. Petru Vernescu, director of the Design Institute for Standardized Construction. And, not last, he added, changes in the mental attitude of some users.

True, this explains why research and tests in the field of new energy sources have so far materialized in a number of concepts which still are applied on a small scale. For instance, even though the above institute (which controls and finances these studies and tests) provided the funds needed for the installations for treatment with solar energy of household warm water, at the Ploiesti, Pitesti, Tirgoviste and Rastork de Vede pilot stations, the schedules for completion were not met. Moreover, there are users who, although they received the necessary funds as early as in 1980, do not take firm action for completion of investment projects. For example, for a set of 320 apartments in Constanta Town, 6.5 million lei were appropriated, the design was approved and also some of the solar collectors were dispatched, but the project has not yet been commenced. The situation is all the more damaging and incomprehensible because Constanta County is characterized by the best possible conditions in terms of solar energy potential and especially because the county has a good experience in this field. It is known that solar installations operate adequately in the Saturn and Neptun resorts and in Mangalia, a "solar hotel" with no room in terms of energy, will be built, a first on a world scale. In another part of the country, at Jimisoara, a new "sun" district has emerged, with its first apartments that use solar energy.

It is known that the expanded use of solar energy is contingent upon lowering of the installation investment cost.

Dr. Engr. Liviu Dumitrescu, of the Central Institute for Research, Design and Monitoring in Construction, stated: "The manufacturing units, also, play an important role in this area. One of the causes that contribute to delays in extending the use of proper approaches involves the fact that while designers and researchers are seeking approaches to cut consumption rates for materials, hence costs (approaches that resulted in lowering the cost of solar installations for treatment of household water from 15,500 lei per apartment, in 1979, to 10,000 lei, in 1982), the manufacturing units want to obtain (precisely at these products!) greater profits. Originally, the Sadu Mechanical Enterprise planned, for instance, for the solar collectors which it makes a profit of 38.40%, and later reduced it to 6%; Automatica Enterprise turns out the automation boards for solar installations with a profit of 98%, which results in our high costs, instead of granting a preferential status precisely to help promote new technology. In light of these situations, we believe that in the case of new energy sources profits should be limited to 6%, a fact that would help to cut down investment costs."

The same applies to extended use of eolian energy. Reducing the cost of turbines and converters is a major concern of experts of the Institute for Power Research and Modernization, the Research and Design Institute for Building Installations and Equipment Apparatus and the Polytechnical Institute in Brasov. Moreover, based on the studies conducted, this year will see the production, by the Fagaras Mechanical Enterprise, of about 5,200 turbines, including some 5,000 with power over 0.5 kW. The cost of the energy produced ranges between 0.43-1.44 lei kWh. However, it is certain that experts in production can do more to lower costs.

While some approaches still require the efforts of specialists in various fields, others can be immediately applied and their use extended on a wider scale. This also applies to a unique procedure for using residual heat from steam power plants in order to heat nurseries, devised by a collective at Bucharest "Electrocentrale" -- Centrala Vest, headed by Engr. C. Fulga. During the 1980-1981 period -- Engr. Dragu Iavorschi told us -- these nurseries produced outstanding crops of tomatoes, lettuce, bell peppers, and carnations, at lower costs, and it is easy to see why, since it is known that fuel accounts for 65% of nursery expenses. To meet users halfway, the same collective proceeded to build a nursery module that can be adapted anywhere, in light of specific conditions.

It is not the only approach for prospective users. Engr. Dumitru Mihalcea, head of the design department of Cluj-Napoca "Tehnofrig" Enterprises, told us: An example is provided by compression pumps for heat recovery, installations that can play an important role in the energy balance. He pointed out: "In my view, at this point in time, we do not have a shortage of studies or modern approaches in this sector. However, needed are concrete moves, in each industrial facility where experts, based on on-site technical surveys and determinations, must provide the most appropriate and best possible solutions. I emphasize this because I realize what great fuel and energy savings could be made if our enterprise, in the last 2 years, would have had the full amount of orders for our production of compression heat pumps. But not even now do we have the orders."

It is clear that in the area of new sources, of unconventional energy sources, the specialists offer efficient approaches, but their "weight," their economic impact in the energy balance can be significantly enhanced only by the better estimation, utilization and expansion of these sources.

OPERATIONS AT NEW NAVAL SHIPYARD AT TULCEA DESCRIBED

Bucharest ROMANIA LIBERA in Romanian 5 Mar 82 pp 1, 5

[Article by Ion Popovici]

[Text] In 1975, on a frosty winter day, I attended the opening of the construction site of the new naval shipyard at Tulcea. Six years later, I am again here and almost cannot believe how fast it was able to change its appearance. The impression which it made on me then stays vivid in my memory. Imagine an area of almost 60 hectares practically completely covered with marshes and constantly threatened by flood. I was told that in order for the platforms and bays that can be seen now to be built it was first necessary to compact the ground, an arduous operation which necessitated no less than 3 million cubic meters of rock, sand and dirt.

Today, the construction of the naval shipyard at Tulcea -- with modern bays and facilities -- is mainly completed. But as early as in the fall of 1979, as construction operations at this new project were advancing, the first ships began to be turned out. Impatient, the Tulcea shipbuilders did not wait until the construction workers left to test their skills in a trade that they had just acquired (most of the shipyard workers are young people who came here directly from vocational schools and the median age is only 22!).

Shortly, the first 2000-t barge was launched. Other types of vessels followed: 3000-t barges, 1500 and 3500 cu m/h dredgers for the Danube-Black Sea Canal, 4.2 cu m floating buckets for river improvement and other equipment that were highly appreciated by users. Engr. Paul Danaila, manager of the shipbuilding plant, pointed out: "However, the actual test for Tulcea shipbuilders starts now, because under this five-year plan we have been allotted the task of turning out the first 7500 and 15,000 dwt sea freighters." True, it is a tough test to build sea vessels for such cargo for the first time, even when the Tulcea Naval Shipyard has most up-to-date facilities. As is known, this unit includes an installation, unique in Romania, known as "synchrolift," which is designed to lift and launch vessels with a capacity of between 18,000 and 20,000 dwt. All sections are equipped with high-standard machine-tools, including: automatic cutting machines (tracing and cutting of the components of the ship's body are done by means of computers and machines with numerical controls), high-power devices to shape sheet, lathes for large-size parts, modern presses, and so forth. Further, the shipbuilding plant has a covered bay for ship assembly and outfitting -- also a unique unit in this country -- which provides optimal working conditions in wintertime as well. Let us enter this covered bay whose size

is enormous: an area of more than 10,000 square meters and a height of over 30 meters. Our attention is caught by the line of the first 7500 dwt freighter, now being assembled, which is beginning to take shape under the skilled hands of Tulcea shipbuilders. It is the "Moinesti" freighter, destined for general cargo. As early as this year she will become part of our merchant fleet. The ship is 131 m long, almost 18 m wide, its height up to the control deck is 10.7 m. She will be provided with a 6100 HP engine made by the Resita plant. Hence, the freighter will be able to develop a speed of 15 knots. Another freighter, the same size and with the same operational and functional abilities, called "Moldovita," is now in the assembly stage, in terms of volume sections. Needed here is an additional statement by Engr. Paul Danaila on the advantages of performing assembly and outfitting operations in a covered bay: "In the first place it is very important that in this kind of bay, provided with heating and lighting installations, it is possible to work in three shifts throughout the year, on two ships simultaneously. In the second place, as you can see, platforms with workshops operate on the length and width of the bay, at various height levels, depending on needs. In this way, a better organization of assembly and outfitting operations is ensured and the workers have the necessary tools and devices in their immediate proximity. As a result, the saturation degree for a ship can reach up to 90% so that after water launching the machine and installation tests can begin without delay."

Our interviewee's statements indicate that in the production process on this naval shipyard water launching is an episode that has a significance which is different from that on the other Romanian shipyards, where outfitting begins only after the water launching of the ship. In the case of the Tulcea facility, each new ship leaves the bay almost ready for sailing.

As I stated above, building high-capacity vessels for the first time is really a test. It is a test which the Tulcea shipbuilders will successfully pass, for without availing themselves of tradition in shipbuilding, they are thoroughly trained and inspired by the fervent wish to demonstrate by deeds their creativity. The operations completed so far on the first two 7500 dwt are characterized by top quality, and we believe that this is a good omen in the activity of the youngest shipbuilding unit in Romania. Of course, the new enterprise in Tulcea has enjoyed and continues to enjoy the support of older naval shipyards in this country, such as those at Constanta, Galati and Braila, which provide very useful technical assistance through various documentations and through dispatch of experts for brief periods of time.

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CSO: 2700

ROMANIA

POOR SUPPLY OF VETERINARY DRUGS AFFECTING ANIMAL PRODUCTION

Bucharest SCINTEIA in Romanian 4 Mar 82 p 3

[Article by Elena Mantu]

[Text] At the recent work meeting at the CC of the RCP, which focused on key problems of animal husbandry, party secretary general Nicolae Ceausescu urged all experts in this field to most responsibly work for boosting animal production. Rehabilitation of animal husbandry in the next 3-4 years, obtaining of the animal outputs required by all the country necessitate a collective effort, the effort of all specialists in the sectors that contribute to the smooth development of this activity, of all working people in agriculture, the machine building and chemical industries, transportation sector, power industry, and so forth.

The veterinary health law stipulates that "the protection of animal health is a state issue and is a constant duty for all state bodies and organizations, the other organizations, and also a duty of all the inhabitants of this country."

Prevention of wide-spreading diseases, rapid and effective combating of other diseases, reduction of morbidity and mortality rates, and obtaining of animal productions also largely depend on timely ensuring -- in adequate amounts and range and qualities -- of the veterinary biological products and drugs.

What are the criteria for determining the necessary amount of veterinary drugs? Dr. Valer Teusdea, director of the Directorate for Sanitary-Veterinary Services in the Ministry of Agriculture and the Food Industry [MAIA] told us that the necessary amount of veterinary drugs is determined on the basis of field requests and the Program of mandatory sanitary veterinary projects, which specifies, inter alia, for each species, what vaccine or treatment must be administered and the period involved.

[Question] What is the impact of shortage, partial delivery or failure to smoothly deliver the products requested?

[Answer] There are several situations. Sometimes, the product is supplied to the production unit after the parasite's evolutive cycle was completed; for example, in sheep the treatment to combat scab involves administration of Lindavet twice a year, in April-May and in the autumn. In vain does the Rimnicu Vilcea Chemical Combine provide us with this product after the sheep started grazing, when the parasitosis can no longer be combated and, moreover, is spread by the diseased animals.

Here is another example: fascioliasis is a disease in which the parasite is localized in the liver, in the hepatic ducts and causes loss as a result of weakening of the animal and mortality. Treatment occurs between 15 and 30 January and involves Rafoxanid (an effective Romanian product). This year (moreover, like in previous years), the Bucharest Enterprise for Pharmaceuticals provided us with 3,845 containers (of 4.5 liters) instead of 6,300, and last year, 53,616 containers compared to 120,000, the required amount, (and compared to 90,000, the amount contracted for). If we do not have the required amount of Rafoxanid and if it is not delivered on time, it is in vain that we administer it later, when the parasite has infested the pastureland and through grazing reaches other animals and hence the disease spreads even more. Consequently, partial, uneven supply does not resolve animal health problems. Moreover, the Bucharest Enterprise for Pharmaceuticals, from the required amount of 170,000 containers for this year, concluded contracts so far for only 70,000, which accounts for less than a half compared to last year, although the demand was greater: 120,000 in 1981 and 170,000 in 1982, naturally, tied to the rise in animal herds.

As for the biological products turned out by the "Pasteur" Institute for Veterinary Research and Biological Products -- the only specialized institute of MAIA, in the context of field demand -- for a number of products the deliveries not only do not meet the level of demand but not even that of the contracts concluded. Hence, to use only one example, the failure to supply, in 1981, 1,180 liters (out of 10,000) of the anti-anthrax vaccine represents more than 1.8 million unvaccinated cattle or a double number of sheep, with major economic effects.

Are these situations and the loss caused in animal production by failure to supply the drugs on time and in the required amounts known? Let us survey how the responsible parties in the area of veterinary drugs have understood the priorities in this important agricultural sector.

Out of the 52 veterinary products which MAIA requested to be turned out during the 1982-1985 period, the Central of the Industry of Pharmaceuticals, Cosmetics, Dyes, Lacquers and Varnishes accepted to produce only 38. How about the remainder? The 14 products which will not be turned out include Nilverm, Vitamitrin, Carbadox, Dizenter, biosynthetic Prostaglandins, Etoxichin, that is major products, which are requested by experts in animal husbandry and veterinary medicine.

The Ministry of the Chemical Industry, through the Central of Pharmaceuticals, the Institute for Chemical-Pharmaceutical Research, the enterprises for medical drugs hence have accepted, in the context of the amount of veterinary drugs needed, to conclude contracts only for special products, planning, for the remainder, to import them, at best.

In terms of research activity to turn out domestic products, also, the situation is no better. For instance, out of the 33 products requested by MAIA for study during the 1982-1985 period for the purpose of arrangement for the production of these drugs at home, the Institute for Chemical-Pharmaceutical Research stated that it was able to tackle only 12 products, and for another 6 it would examine new possibilities. The 15 products which will not be studied for arrangement for production include Virginimycin, Fecunden, Foligon, Stenorol, and others, whose import adversely impacts Romania's foreign currency area.

The rate of utilization of domestic studies by the chemical industry also proves that the parties allotted this task did not pay too much attention to veterinary drugs. Often, between the completion of the survey and the industrialization of the product involved, many years go by, years that are calculated in terms of foreign currency spending for drugs which could be turned out at home. A veritable record -- 12 years -- involves ethyl amprolium, whose study was completed in 1973 and the product will be turned out no sooner than in 1985. Terahelminth will be produced at Cluj-Napoca "Terapia" no sooner than in 1985, although the study was completed in 1978. The domestic production of the active constituent would be feasible but the Ministry of the Chemical Industry prefers to import the substance (with money from MAIA), namely, also with state money, with everybody paying for it.

But we shall see that even the products that were approved for industrialization are not always supplied in compliance with field requirements and the quantitative levels stipulated in contracts. We shall use only a few examples, which again reflect the attitude of those who are responsible for veterinary drugs. A modern animal raising sector involves new technology and substances appropriate for obtaining exceptional productions. This category includes hormonal products. Our industry has turned out the Gonacor products and the "Pasteur" Institute for Veterinary Research and Biological Products, Serigon, both absolutely indispensable to reproduction in cattle, sheep and hogs, in the context of industrial animal raising, for the purpose of ensuring a proper birth rate throughout the year, according to economic needs. But how do the manufacturing units handle the issue of these deliveries? Dr. Elena Nereuta, who in this directorate, is responsible for the area of veterinary drugs, told us that repeated requests were made for 1.5 mil. Gonacor bottles but the "Biofarm" Enterprise agreed, under contract, to provide only 60,000 and only supplied 8,240 bottles in 1981, and no bottle at all in the first months of this year, when they would have been more needed. As for Serigon, a product researched and turned out by the "Pasteur" Institute for Veterinary Research and Biological Products, the experts here, in compliance with the contract, supplied 50,000 doses, an insignificant amount versus the required level of 1 million doses! Moreover, it sometimes has a lower titer and this, of course, impacts its effectiveness. The shortage of even only these two hormonal products is reflected in the reduction of birthing and the decline in animal production.

Furthermore, we must point out that because of the shortage of these hormonal products, half of the amounts appropriated for drugs to be imported is spent on these. Hence, a lot of money is spent on what could and ought to be produced at home.

For the purpose of attaining a fecundity rate of more than 85%, as specified in the assignments for this sector, there must be the grasping and action at all levels, from research up to the central and ministry involved, so that these backlogs may be promptly eliminated as a result of the efforts of all units that are responsible for the production of the items needed by zootechnicians.

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CSO: 2700

VIEWS GIVEN ON PROBLEMS OF FOREIGN EXCHANGE MARKET

Zagreb VJESNIK in Serbo-Croatian 3 Apr 82 SEDAM DANA pp 4-6

[Interviews with Slavko Stante and Ante Cicin-Sain by Zivko Gruden, date and place not specified]

[Text] [Stante Interview] Centralization Achieves Nothing

[Question] Since the interbank meeting of the foreign exchange market died, its imminent revival has been announced several times. Recently, however, polemical views have also been heard concerning the foreign exchange market. Different views are obviously being taken concerning the foreign exchange market's role and mode of operation, so different that this goes to the heart of the foreign exchange system. We would be interested in your views on these questions.

[Answer] The foreign exchange market is now something which can be brought to light by a legal enactment; for it to operate, there must be both purchases and sellers of foreign exchange.

The foreign exchange market in Yugoslavia was never abolished. It was brought to a halt only by an intervention of the National Bank of Yugoslavia at the interbank meeting.

When the foreign exchange market was introduced (that was before this Law on Foreign Exchange Transactions took effect) the conception was that it would consist of all the foreign exchange transactions of the socialized sector, i.e., purchases and sales of foreign exchange through commercial banks, and then at the top of that pyramid would be the interbank meeting at which the commercial banks would exchange foreign currencies and ensure their liquidity. That entire system was based on the fundamental proposition that the commercial banks and their customers would conduct a policy, investment policy above all, that would equalize, at least over the long run, the inflow and outflow of foreign exchange in every bank. The role of the interbank meeting, then, was first of all to cover the short-term foreign exchange illiquidity of individual commercial banks.

It should be emphasized that up until now--in the foreign exchange laws, in social plans, and also in our political orientation--we have always had at

least the moral standard that anyone undertaking an investment project which will have a lasting need for foreign exchange (imported industrial supplies) must somehow make provision for that foreign exchange. The present law has only regulated that in more detail in Articles 67 and 68. This means that when a commercial bank enters into a transaction whereby it becomes a permanent purchaser of foreign exchange, it must take an internal action among its customers to encourage flows in production and exchange to ensure an inflow of foreign exchange so that the foreign exchange balance would be equalized, at least in the long term.

[Question] Yet matters have taken a different course. Why?

[Answer] Along with a whole string of objective circumstances--the higher price of petroleum, restricted opportunities for obtaining foreign exchange credits, and so on--a significant impact on this was also exerted by the institution of rights to foreign exchange, which had never occurred before in our foreign exchange legislation. Bearers of the right to foreign exchange made their appearance aside from the commercial banks and outside its influence and its business sphere. However, it was felt that the Yugoslav foreign exchange market as a whole--that is, the commercial banks and the interbank meeting--should cover those rights, though no one guaranteed to create a coverage for them. So, those rights to foreign exchange which had never been envisaged, became the principal source of disproportions. When that process commenced, this in turn had an impact on the behavior of the commercial banks, tending to weaken their concern for their own foreign exchange coverage. The consequence was that the commercial banks figured more and more at the interbank meeting exclusively as purchasers of foreign exchange, and the National Bank of Yugoslavia was intervening more and more, and was very rarely a purchaser of foreign exchange. Since under our present legislation the National Bank of Yugoslavia has no source of foreign exchange of its own whatsoever, its interventions at the interbank meeting had to be altered, since otherwise foreign exchange reserves would have been altogether exhausted. But, as I have said, this still does not mean that the foreign exchange market is closed; it is closed only for those commercial banks who have been brought to a condition of foreign exchange imbalance.

Rights to Foreign Exchange Without Backing

[Question] What rights to foreign exchange are we mostly discussing?

[Answer] Were we to quantify things, then the rights to foreign exchange acquired through the sale of services for dinars are probably in first place. That is, although the problem is broader, it is unquestionable that one of the principal causes of disproportions on the foreign exchange market is that something is being honored as foreign exchange which cannot figure as foreign exchange on the foreign exchange market. No one, of course, can say that tourism is not earning foreign exchange even when it makes collections in dinars. In collecting for services rendered through a foreign guest in dinars, the tourist industry is returning to the country dinars which our citizens have spent abroad; that is, it is repaying the foreign exchange debt, and it thereby has legitimate rights to the premiums to which anyone who earns

foreign exchange is entitled. However, purchasing power abroad is not acquired by repaying the debt, and therefore the right to make purchases on the foreign exchange market cannot be acquired.

The basic mechanism of the foreign exchange market, then, is completely logical, but it assumes that in the system there is no way of generating the rights to foreign exchange without foreign exchange which has been actually earned. As soon as we abandon that principle, regardless at what level, we turn ourselves into a central bank issuing a foreign currency, which unfortunately no one honors on the international market. This has been the principal defect of the foreign exchange market, and at the same time it means that one of the principles for reactivation of the interbank meeting would have to be that all purchase-sales transactions would have to be on a real basis, gradually ensuring that foreign exchange would also be sold, and not merely purchased.

[Question] Doesn't this depend above all on the rate of exchange of the dinar?

[Answer] Sales of foreign exchange on the foreign exchange market cannot be stimulated by the rate of exchange alone. Changing the rate of exchange involves a revaluation of all internal holdings of foreign exchange--including the foreign exchange accounts of individuals and the foreign exchange deposits representing the social standard of living. Since their amount is very large--larger than the value of annual exports--the inflationary effect of that revaluation when the rate of exchange is changed is so strong that it cancels the benefits of the devaluation. That is precisely why along with the policy of a realistic rate of exchange for the dinar we need an instrument that would stimulate sales of foreign exchange on the foreign market, and that at its every point, that is, not only at the interbank meeting, but also within the commercial bank. Under the law foreign exchange belongs to the OOUR [basic organization of associated labor] which realized it. If it uses the foreign exchange in establishing links based on shared income in the chain of reproduction--under Articles 67 and 68 of the law--it is very likely that it will realize larger income than by selling foreign exchange on the foreign exchange market. Consequently, if we want sales of foreign exchange in certain cases, we have to do something to offset that difference, that is, to set forth economic criteria by which an assessment will be made as to whether it is more beneficial to sell the foreign exchange or to pool it. That criterion would then apply as well to foreign exchange which is pooled for specified purposes by agreement, in fact by requirement.

In Slovenia, for example, 35 percent of the foreign exchange realized is pooled in that way. We have observed that last year those who were required to pool, that is, sell, foreign exchange were almost always in a less favorable position with respect to income, while those who were purchasing that foreign exchange were in a more favorable position. Economic criteria have to be devised, then, to act as an incentive, so that the instrument of mandatory pooling would no longer operate as an instrument for redistribution of income. This ought to be regulated by republic and provincial SIZ's [self-managing community of interest] for foreign economic relations.

[Question] Isn't this a departure from the single rate of exchange of the dinar? And doesn't this lead inevitably to a further fragmentation of the market?

[Answer] The single rate of exchange must exist in any case. But if we require that a minor portion of foreign exchange be pooled for specified purposes, and if, then, that foreign exchange circulates independently of the decisions of the person who earned it, to whom it also belongs, then some kind of incentive has to be found. If for the reasons which I have mentioned we cannot raise the rate of exchange to cover all foreign exchange transactions, we can do so for specified purposes and transactions. Incidentally, changing the rate of exchange as a whole has an equal impact on all relations in the foreign exchange area, but our goal is selective, we want to encourage the sale of foreign exchange on the foreign exchange market.

It is an altogether mistaken opinion that this problem can be solved by centralizing foreign exchange at the interbank meeting. In that way we would merely discredit the policy which requires commercial banks and all decision-makers in self-management to invest capital so as to ensure balanced flows of foreign exchange, and we could expect nothing more than a stronger pressure for an income-motivated purchasing of foreign exchange and a slackening of motivation to earn foreign exchange by exporting and by establishing income-sharing relations. Incidentally, we have had such a precedent, and we erased all economic criteria in the foreign exchange field. Introducing a set of economic instruments to encourage the sale of foreign exchange would invigorate the foreign exchange market in the commercial bank, and mandatory sale would be less and less necessary as time went on. Likewise, more widespread application of Articles 67 and 68 of the law, i.e., more widespread of pooling of foreign exchange through income-sharing relations, would resolve an ever larger share of the problems, since entities would thereby be created which would have their own supply of foreign exchange, and there would be a relative drop in the volume of transactions on the foreign exchange market.

[Question] Nevertheless, the pooling of foreign exchange through income-sharing relations, and especially what is quite often hidden behind this, implies the existence of differing rates of exchange of the dinar. That is, different economic entities would be purchasing and selling the same goods at differing prices, whereby the conditions for conduct of economic activity become unequal.

[Answer] Differing conditions for the conduct of economic activity are a typical effect of the unified market. If conditions were equalized, that would mean that any production operation might develop at any point--without a search for optimum solutions.

[Question] It is not a question here of conditions which are objectively given....

[Answer] That applies to all factors of production, including foreign exchange. The person who has pooled foreign exchange through income-sharing relations may as a result, when the benefits are converted, obtain a rate of

exchange which is threefold or fivefold as high, or again he might have to pay more for having entered into some production operation. Consequently, everyone exerts an influence on his income through his decisions--by site selection, choice of technology, and so on--by weighing all the conditions, among them the rate of exchange of the dinar. Foreign exchange is only one of the criteria in distribution of that income which the workers pooling their foreign exchange have realized. In income-sharing relations the rate of exchange of the dinar is, say, only an initial estimate, and it is not possible for that criterion to be decisive. But equal conditions for the conduct of economic activity do not mean that everyone purchases everything at the same price, but that under the given circumstances he goes onto the market, and it is there that his product is evaluated. By adopting the course that foreign exchange must first be realized before it can be spent, we have in advance incorporated into the foreign exchange the costs of creating it.

But the government as a whole must have a single rate of exchange. This is nothing unusual. Incidentally, everywhere in the world there is some production operation oriented toward export although this is a losing proposition, which means that the costs for foreign exchange are higher than if it was purchased at the actual rate of exchange. But the exporting is nevertheless done, because obviously there are certain reasons for this. Here again, then, two producers may find themselves in "unequal conditions."

The Criteria Are Lacking To Serve as an Incentive

[Question] If it is true that we are experiencing an ever greater dispersion of exports, that there are fewer and fewer typical export industries and typical exporters, how do you explain this? Some people see this as a defect of the system or, more precisely, the consequence of tying imports to exports, "foreign exchange income."

[Answer] That is not true. The problem does exist, but it is caused by the fact that the pooling of exchange through income-sharing relations--under Articles 67 and 68--has not developed adequately as yet, and in our substitute--mandatory pooling--we have not yet, as I have already said, incorporated any sort of economic criteria that would serve as an incentive. That is, nowhere has it been stated that everyone must individually export something, but, on the contrary--in conformity with Articles 67 and 68--the optimum variants are to be sought out. If a country must export in order to be able to import, then obviously entities must be exporting, but they should be optimally organized. Dispersion occurs when it is possible for someone who is not exporting to obtain foreign exchange cheaper than by exporting. Then the pressure for expropriation of foreign exchange increases, then there is an ever greater desire to meet needs with expropriated foreign exchange instead of through income-sharing relations. All economic criteria are erased, and there is less and less foreign exchange on the legal market.

It is understandable that establishment of income-sharing relations could not have developed sufficiently from one day to the next; however, the problem is that the substitutes are markedly uneconomic. In Slovenia 35 percent of foreign exchange must be pooled by law at the official rate of exchange. And

that is expropriation. It would be a step forward for that pooling to be economically stimulated at the level of the republic or at whatever level.

[Question] Could this bring us to an optimum structure of exports, to exports with maximum competitiveness? This is important both because of the immediate benefits and because of its influence on development policy.

[Answer] It is those economic criteria, and they ought to be limiting criteria, that would confront the producer with the decision: should he export on his own or obtain foreign exchange by establishing income-sharing links? For instance, if the incentive for those not pooling the foreign exchange and also for the foreign exchange pooled by law was 20 percent, that would be a criterion that would have an effect on the person whose foreign exchange from export costs, say, 30 percent more.

But the fact that the pooling of foreign exchange under Articles 67 and 68 has not developed adequately as yet cannot by any means serve as a justification for tying imports to exports at the federal level, since that is what centralization of foreign exchange actually means. That linkage of imports to exports is indeed a real fact; however, optimum solutions can be furnished only by those who are authentically and directly carrying on foreign trade, that is, by OUR's.

The System Has Not Caused the Disturbances

[Question] A number of problems which are now arising--the severance of flows in reproduction, fragmentation of the market, displacement of the dinar by foreign exchange, and the like--were not, then, according to you, caused nor furthered by the shortcomings, weaknesses or defects of the present foreign exchange system? That is, it is thought by some that the features of the system are not blameless in this and should therefore undergo radical change.

[Answer] In no case can we go backward to the centralization with which, incidentally, we have always had only bad experiences up to now. Our payments-balance situation has to a great extent been historically conditioned both by domestic processes and also by worldwide processes--the jump in the prices of petroleum is one of those elements--and we as a developing country practically had to get into a crisis concerning the balance of payments. No one can argue that we would have been in a better situation if we had not adopted self-management solutions in this area. The SIZ's for foreign economic relations have resolved huge problems in a relatively short time, but it is not possible overnight to compensate the kind of shocks caused, for example, by the jump in petroleum prices. Consequently, we have to develop this system, patiently building up the system of the country's liquidity. In no case may the country be illiquid. But that problem is always resolved first by the principal entity in the system. Accordingly, the obligation of guaranteeing the country's liquidity must pass into the sphere of self-management; you cannot have a situation where one party has the rights, but someone else takes the responsibility for the country's liquidity. We have to resolve those issues as fast as possible. For the greater the threat of illiquidity, the more vocal become the advocates of a statist solution to this problem.

The difficulties which you have mentioned are not a consequence of the system, but of its not being realized. For a long time we harbored the illusion that someone else would see to the basic material flows. Through the pooling of foreign exchange--governed by economic criteria that would avoid a siphoning of income--we have to guarantee the basic material flows. It is clear that these needs should be defined and that this should be a matter in the interest of the republics and provinces. It is at that level that unhindered flows of reproduction should be guaranteed, except when the dimensions are such--as is the case in the fuel and power industry, food and the like--when this must be the matter for an agreement among the republics. If a commodity with a foreign exchange content goes from one republic to another, that does not signify by any means that there has to be compensation in foreign exchange, that is, that the foreign exchange for that production operation should be pooled at the federal level. In principle production of the end product ought not to entail the right to compensation in foreign exchange, but certain flows--such as manufactured fertilizers, petroleum and the like--should be settled by agreement.

The Essential Thing--Affirmation of the Dinar

[Question] What in your opinion are the motives, then, of the demand for radical changes in the present foreign exchange system?

[Answer] I think that they vary in their origin: they arise out of illusions, out of ignorance, out of interests which are not the interests of the workers. Some people think that the government could do a great deal here. However, everywhere, and especially in our system, the essential decisions are the ones made in production. If the influence of the administration becomes stronger, if the OOUR can make fewer and fewer independent decisions, its decisions will be poorer and poorer. In that way we would get into a still more unfavorable situation in our foreign economic relations. No government can replace the technological knowledge and motivation of the workers.

[Question] Nevertheless, under the conditions of the at least partial convertibility of the dinar, which certainly is in the offing in the near or distant future, a goodly portion of this foreign exchange system would become superfluous.

[Answer] For some time now we have had a kind of situation of convertibility within the country based on exaggerated foreign indebtedness. This situation was obviously not normal. The essential thing for us is affirmation of the dinar in all transactions within Yugoslavia, and that in actual practice, in conformity with the system. The assumption is to balance flows of goods and money. To succeed in this we must affirm the position of the workers throughout the entire monetary field. We must strengthen the motivation of the workers to transform their foreign exchange income into dinar income on the foreign exchange market, and that means that the worker must know in advance and have an assured route to obtaining purchasing power abroad. The area of foreign exchange transactions should be further developed, but this cannot be done in isolation; an effort is needed over the entire monetary area, an effort toward affirmation, respect and preservation of the value of the national currency.

[Cicin-Sain Interview] The Decisive Role of the Single Rate of Exchange

[Question] In several recent public statements one could note two different kinds of emphasis in the approach to the problems of the foreign exchange market: According to one view, the foreign exchange market is an illusion under present circumstances; according to the other, the conditions should be created as soon as possible for its revival, since otherwise the foreign exchange system as a whole cannot function. What is your opinion on this?

[Answer] Along with all the acute payments-balance difficulties, and along with all the heterogeneity of economic and political views and interests, I think that now, and also in the future, all parts of the Yugoslav economy will have an urgent need for an orderly and well organized foreign exchange market. What is more, it seems to me that this is one of the necessary and unavoidable preconditions for gradually overcoming the economic problems that have accumulated.

[Question] Since differing meanings are applied to the term "foreign exchange market" and there unquestionably do exist differing views concerning its role and the way in which it functions, it would be good for you to explain in more detail what the foreign exchange market means to you.

[Answer] What I mean by the foreign exchange market, as this has been clearly and precisely defined in the Law on Foreign Exchange Transactions. Under that law the foreign exchange market is a unified, but stratified institution. It is set up in an up-to-date way that conforms to our system. Though it is unified, it functions at three different levels: At the first and basic level purchases and sales of foreign exchange take place between work organizations and other economic entities on the one hand and commercial banks on the other. At the second level of the market only the commercial banks encounter one another, and it is only the third level that is made up of the so-called interbank meeting of the foreign exchange market, at which the National Bank of Yugoslavia also participates.

I must mention in this connection that recently a number of rumors have been circulating to the effect that the operation of the foreign exchange market has been suspended. That is not so. In spite of all the payments-balance difficulties, there has been practically no interruption of the operation of the foreign exchange market. Of those three levels of the foreign exchange market, two have been functioning without interruption, and it is only at the third--the interbank meeting--that there have been certain disturbances and halts, and that mainly because the National Bank of Yugoslavia, which has the role of intervention in that meeting, was no longer capable of intervening with its sales in order to meet all the demand for foreign exchange.

[Question] What should be undertaken to reestablish the normal operation of the foreign exchange market?

[Answer] In order to reestablish the normal operation of the foreign exchange market at all its levels I think that there are two things that are needed above all: First, to take steps so that the National Bank of Yugoslavia is

made capable of regularly performing its role of intervention on that market (in the manner set forth in the present law), and second, that an end be put to the practice which allows and even encourages foreign exchange transactions between individual economic entities even outside the channels of that unified foreign exchange market.

Is There the Foreign Exchange for the Market?

[Question] Yet how is the National Bank of Yugoslavia to be made capable of its role of intervention on the foreign exchange market when under the law it has no sources of foreign exchange income of its own?

[Answer] The organized foreign exchange market can function either with a certain role of intervention of the central bank, which is the practice in most countries in the world, but it can also function without it. In our system of foreign economic relations provision is made for the central bank to have a certain role of intervention, and in my opinion this is indispensable. If we are agreed on that, and there are many reasons for it, then solutions must follow which will make it possible for the National Bank of Yugoslavia to obtain the necessary foreign exchange through regular channels to cover that scope of intervention on the foreign exchange market which is imposed by the very logic of the thing.

In that respect the solutions of the present Law on Foreign Exchange Transactions have proven themselves to be inconsistent. That is, on the one hand there was the formal legal obligation of the National Bank of Yugoslavia to intervene on the foreign exchange market, while on the other practically all the foreign exchange was left at the "free" disposition of organizations of associated labor. This legal dichotomy ultimately led to the situation where the National Bank of Yugoslavia was left without the funds necessary for intervention on the foreign exchange market.

[Question] But how is the full-fledged operation of the foreign exchange market to be guaranteed when an extreme shortage of foreign exchange prevails?

[Answer] The assertion that the foreign exchange market cannot function because supposedly "there is no foreign exchange" obviously is not valid. What is more, that assertion is potentially very dangerous, since it maintains a kind of distrust with respect to the capability of the economic system of self-management. That is, if the assertion were actually true, the conclusion would follow that we cannot for all practical purposes establish normal operation on any other market either. That is obviously not true and altogether unacceptable.

Every year approximately \$25 billion flow in each direction in total Yugoslav foreign trade: which means that the foreign exchange does exist. Consequently, there cannot be any problems because there is "no foreign exchange," but rather because of the price at which it is bought and sold, or again it is a question of who is to be given and who is not to be given the right to purchase it at some price (rate of exchange) which is lower than the equilibrium rate? Since under the conditions of such large disturbances as our present

ones; there would be neither point nor justification in leaving formation of the rate of foreign exchange exclusively to the free play of supply and demand, the problem of the normal operation of the foreign exchange market can essentially be reduced to establishing certain measures whereby the rights to purchase foreign exchange on the organized foreign exchange market would be reduced to that level which corresponds to the expected supply of foreign exchange on that market. It is obvious that the higher the rate of exchange and the larger the portion of the current inflow of foreign exchange is routed directly into the regular channels of the organized foreign exchange market, the easier this is to achieve.

That, then, is one of the reasons--but not the only one--why it is indispensable to introduce some form of compulsory sale of the largest possible portion of the current inflow of foreign exchange of work organizations. The other reasons which argue for adoption of such solutions are related not only to creation of the necessary preconditions for the optimum participation of a large number of independent economic entities in the international division of labor, but also generally to the effective functioning of the entire system of the self-managed economy.

Disturbed Guideposts

[Question] For the foreign exchange market to function normally, then, as you have said, an end has to be put to the practice which allows and encourages foreign exchange transactions between economic entities outside the channels of the unified foreign exchange market. Are you also referring here to the pooling of foreign exchange through income-sharing relations under Articles 67 and 68 of the Law on Foreign Exchange Transactions?

[Answer] I am also referring to that. And the reason is that under the conditions of disturbances in operation of the foreign exchange market such as we have had for the last year or two those transactions are conducted to an ever greater degree at effective and real rates of exchange, which depart substantially from the rates of exchange which are formed on the official foreign exchange market, which is still in existence. That kind of practice, which some people think is suitable to the relations of self-management in the economy, is causing large and far-reaching damage to our entire economic mechanism. One of the reasons for the harmfulness of such transactions is that the real and effective rates of exchange are formed in such transactions at a level which deviates greatly from the level of the official rate of exchange: According to certain reports, the level of those differences, i.e., of various forms of "pegging" ranges even up to 50, 60 or indeed 100 percent above the official rate of exchange.

This kind of transaction being undertaken by organizations of associated labor even, let us suppose, if it is voluntary, causes great damage to those organizations themselves, and much greater damage to the national economy as a whole. First, in the work organizations which accept these real rates of exchange, radical disturbances occur in all the parameters of economic activity which those organizations reckon with in their business operation, and second, such transactions boost costs and prices, and that results in an uncontrolled swelling of inflation.

The inflation which comes about thereby is especially pernicious, since it also causes inadvisable disturbances in relative prices, so that almost all the guideposts necessary for normal business operation are fundamentally disturbed.

[Question] It is a fact, however, that our exporters are still faring worse than our importers, that work organizations oriented toward exports stand poorer with respect to income, that as a rule the personal incomes in them are lower. The establishment of income-sharing ties was supposed to compensate for this and thus to stimulate the orientation toward exports.

[Answer] To be sure, one of the aims of the present foreign exchange system was to create a more favorable position of exporters so as to encourage the desired expansion of exports. But the expansion of exports has nevertheless not occurred. Any thorough analysis of the functioning of that entire mechanism shows that a system based on foreign exchange incentives cannot be a lasting and solid stimulus for the exporting industry. This conclusion may perhaps sound paradoxical, but there is no paradox. The first time around that system does indeed afford the exporter "large" rights in disposition of foreign exchange, but the very next time around all the exporter's trading partners, suppliers, subcontractors, and so on, come to him with the credentials furnished by the law and ask him to relinquish the foreign exchange at the going rate, and the exporter is not in a position to respond with pressure on his subcontractors so that they would furnish him their products at prices which would make it possible for him to be competitive.

The next reason why the system of foreign exchange incentives has failed as a mechanism for promotion of exports is that this system pushes into the export business only those organizations of associated labor which have relatively high imports, and what is achieved at best is that a certain number of organizations of associated labor achieve equilibrium within their own operations. However, those organizations of associated labor which are the only ones which could carry on a solid and lasting expansion of exports, i.e., the net exporters, do not find any particular incentive in the system of foreign exchange incentives. If we look at the trends of Yugoslav exports over the last few years we will see that those organizations of associated labor which until yesterday were predominantly exporters have had the poorest growth rates of exports.

If we really want to undertake a lasting and solid expansion of exports, and presumably there is some consensus on this point (!), then exporters have to be ensured not only an attractive rate of exchange, which will afford them on a lasting basis achievement of an equal or higher dinar income than through production for the domestic market, and indeed even a priority (privileged) treatment in acquiring the right to purchase the foreign exchange necessary to carry on production of goods for export. As far as I know, this is the only way of achieving a healthy and lasting expansion of exports in an autonomy like ours.

Is There a Threat of Expropriation?

[Question] What comment would you make on the criticism that has been made to the effect that certain demands for "revival of the foreign exchange market" are actually calling for a return to centralization, that is, statist solutions in the field of foreign economic relations?

[Answer] One can easily understand such fears, since we actually have had such problems, but at the same time I think that they are still perhaps without basis, and that because they seem to be thinking that all the foreign exchange would go into some kind of central foreign exchange fund. Nothing like that could come into consideration, since our banking system consists of a rather ramified network of commercial banks authorized to conduct foreign exchange transactions. If the principle of mandatory sale of current inflow of foreign exchange were introduced, organizations of associated labor would have to sell their foreign exchange to their commercial banks, which in very short order, perhaps even on the same day, would sell them to other organizations of associated labor, to their customers. Consequently, the bulk of the foreign exchange would circulate at the level of the individual commercial banks, a smaller portion would circulate among the commercial banks, and only the so-called peaks would be involved in meetings of the interbank foreign exchange market. From that standpoint there is no possibility of a reestablishment of the former central foreign exchange fund.

The other reason for the fear of expropriation or injury to exporters arises from an assumption concerning the future trend in the level of the rate of foreign exchange. The dissatisfaction of exporters with their treatment in the past has mostly been based on the fact that thanks to various circumstances Yugoslav economic policy has been able to conduct a policy of an unrealistic rate of exchange. As far as I am able to judge--relying on years of monitoring our foreign economic relations--I do not see at present the material possibilities of continuing the policy of an unrealistic rate of exchange. Nevertheless, I must emphasize that we are talking here about assumptions concerning the future behavior of individual economic policymakers, and by the nature of the thing I cannot be firm and decided as to that part of my answer.

[Question] In your opinion doesn't the requirement of selling on the foreign exchange market the foreign exchange that has been earned violate the OOUR's fundamental self-management right to dispose of its entire income?

[Answer] I think that adoption of mandatory sale of foreign exchange does not violate the principles of a self-managed economy at all. The initial premise of such an economy is that the organizations of associated labor, pursuing their own interests and striving to maximize their income, are at the same time contributing to maximization of the social product and social well-being as a whole. Organizations of associated labor will achieve that for themselves and for society only if they conduct their business in the context of an economic system which simultaneously facilitates the achievement of both individual and social interests. In that context the single rate of exchange has a decisive role as one of the central parameters in the conduct of

economic activity. That is, if we take as our point of departure the fact that foreign exchange is the largest and most important commodity in the entire process of reproduction, and the rate of exchange is accordingly the most important single price in the entire process of economic activity, then it follows that a self-managing planned-market economy can achieve optimum benefits both individually and socially when, and only when, the price of that most important commodity is the same for all economic entities in the country. And this can be achieved only if foreign exchange flows onto the organized foreign exchange market.

Inadvisable Exchange

[Question] Certainly it is essential to an evaluation of the appropriateness of the legal solutions concerning foreign exchange transactions how they affect the benefits achieved in international economic exchange, whether they stimulate the optimum structure of exports or not. How do you appraise the current solutions from that standpoint?

[Answer] The optimum solution of a country in the international division of labor is not a simple task by any means. After all, however many opportunities there exist for a country to benefit from inclusion in the international division of labor, there are also possibilities of incurring losses instead of profit through an inappropriate inclusion in it. It seems to me that because of certain defects in our foreign exchange system, above all because of the uncontrolled formation of a multitude of essentially different effective rates of exchange, in recent years we have been deriving ever smaller benefits from the international division of labor. That is, if economic entities enter into the international division of labor on the basis of essentially different parameters, then there is a danger that they will export even those products which the country ought not to export--since it is not producing them relatively more cheaply than others--while at the same time it is importing products which are produced in the country or could be produced more cheaply in relative terms.

[Question] Nevertheless, our foreign trade deficit has decreased significantly over the last 2 years?

[Answer] It is a fact that we have achieved a large reduction of the deficit, but it seems to me that the price we have paid for this is rather high. This reduction of the deficit was paid for with a drop in real personal incomes and a drastic slowing down of the rate of economic development.

[Question] Isn't that a price that had to be paid?

[Answer] A certain price definitely had to be paid, but it seems to me that the price we are paying is still too high, and what is especially disturbing is that in spite of all the sacrifices we have achieved the results mainly by reducing imports, while the expansion of exports has been almost nonexistent.

The Causes of Exclusiveness Lie in the System

[Question] Because of serious difficulties which have been arising recently--the severance of flows of reproduction is one of the most significant--criticism has very often been targeted on the role of the republics and provinces in the area of foreign economic relations, especially on the phenomenon of the so-called payments-balance position growing into true balances, which is supposedly one of the principal factors for the exclusiveness of markets. Do you feel this criticism to be justified?

[Answer] The problems concerning the role of the republics and provinces in foreign economic relations constitute a very complicated issue on which unfortunately sweeping and unsubstantiated judgments are often made. I will restrict myself to only the most essential aspects.

The arguments presented at the time when the present law was being drafted are in my opinion still valid today. Their essence lies in creation of the basis for broadening the concern, motivation and responsibility for foreign economic relations to the republics and provinces. That is the context in which the payments-balance and exchange-balance positions of the republics and provinces were incorporated in the Law on Foreign Exchange Transactions, and it is obvious that the most fortunate solutions were not found. One of the fundamental errors committed is unquestionably that the republics and provinces had not only payments-balance positions, but also exchange-balance positions. That is why virtually the entire system was vulgarized, i.e., reduced to an attempt to see everything exclusively in terms of foreign exchange. I would mention in this connection that in a number of theoretical and methodological writings in 1978 and thereafter I have been persistently calling attention to the inconsistency and harmfulness of those solutions.

Yet since the law has been in effect there has been a fundamental change in the original purport of the payments-balance positions of the republics and provinces. Instead of the republics and provinces coming to an agreement by means of those positions, and instead of their exerting an influence toward creation of a unified policy of foreign economic relations, they have degenerated into an instrument used by the federal administration to prescribe for the republics and provinces certain fixed obligations and rights within which their movement is confined. Because the instrument was used in that way, there has necessarily been a certain tendency of the republic and provincial economies to shut themselves within their own borders. That is, that centrally given payments-balance proportions are such that every republic and province is compelled to try to achieve them by all available means, including exclusiveness.

[Question] Manifestations of exclusiveness are also occurring at lower regional levels, including the opstina level....

[Answer] Actually that supports the argument that exclusiveness is not so much a consequence of the existence of the republic economies as of the defects of the foreign exchange system we have mentioned.

[Question] What sort of solutions do you, then, advocate?

[Answer] It is difficult, and it would indeed be pretentious, to try to express it in a few sentences. In spite of all the oversimplification and lack of precision inevitable in a brief answer, I would say that I advocate building a unified and optimum system of foreign economic relations based on autonomy of organizations of associated labor and their business operation, and that is possible only if it relies on an organized foreign exchange market (in the sense in which it was defined by the law) on which a single realistic rate of foreign exchange known to everyone would be formed. Of course, such a system could function well only along with a vigorous economic policy, which must, among other things, strive for full reaffirmation of the role of the dinar in all the functions of present-day money. Which is something that is urgently necessary in any case.

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CSO: 2800/341

BANK OFFICIAL DISCUSSES WORSENING RATE OF EXCHANGE

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 31 Mar 82 p 2

[Interview with Zivojin Paunic, economist and member of the Business Board of the Belgrade Basic Bank of Jugobanka, by Viseslava Subotic: "Preventing Further Blows to Income"; date and place not specified]

[Text] Last year the Jugobanka Basic Bank in Belgrade had 839 million dinars less of joint income because of covering differences in rates of exchange. As of 13 December 1981 this bank also had another 3,770 million dinars of uncovered exchange-rate differences in the apportionment account (racun razgranicenja). Exchange-rate differences have exceeded 800 million dinars over the first 2 months of this year. We called upon Zivojin Paunic, economist and member of the Business Board of the Jugobanka Basic Bank in Belgrade to give us a few more details on this.

At the beginning of the interview he said that the composition of the uncovered differences carried over was as follows: first, 399 million dinars based on the foreign exchange savings of individuals and dating from the period 1975-1978 are subject to apportionment over a period of 40 years under the Law on Apportionment of Exchange-Rate Differences; second, another 1,057 million dinars arising out of the change of the dinar's parity (devaluation) in 1980; and third, exchange-rate differences occurring in 1981 amount to 2,315 million dinars, making a total of 3,770 million dinars.

[Question] Exchange-rate differences amounting to 844 million dinars occurred in January and February of this year. What effect will this have in the economy and in the bank's business?

[Answer] When one is aware that the remainder of the bank's joint income last year was 839 million dinars, it is clear that this institution's joint income will not be sufficient to cover the exchange-rate differences which will occur by the end of this year. The question is how much would be achieved if those 839 million dinars of joint income were returned to the economy instead of being used to cover exchange-rate differences? These funds would represent income of the economy, and this applies not only to our bank, but also to Investbanka and Beobanka, which have also put up sizable funds to cover exchange-rate differences.

[Question] Organizations of associated labor do not all have the same position with respect to the burden of exchange-rate differences. Why is that?

[Answer] It is true that organizations of associated labor do not all have the same position with respect to the size of the burden of exchange-rate differences, and this depends on the bank of which they are a member. It also depends on the composition of that bank's assets, that is, on whether sources of foreign exchange comprise a predominant portion.

Among the banks which conduct foreign transactions Jugobanka Basic Bank of Belgrade handles about 50 percent of foreign transactions in Serbia proper. That is why assets of foreign exchange origin comprise 70 percent of its holdings. These figures indicate that the OOUR's [basic organizations of associated labor] which are members of this bank have disproportionate exchange-rate differences as compared to OOUR's which are members of those banks which do not conduct foreign transactions.

[Question] What does that mean, and what are the consequences of that inequality?

[Answer] It means that the approximately 438 members of this bank have been charged with a total of 3,770 million dinars which will be withheld in future from their income, that is, from the bank's joint income. Thus over the next 10 years their income will be reduced in conformity with the criteria governing distribution of the bank's joint income.

However, we should not forget that this is not the whole story. That is, in the first 2 months of this year negative exchange-rate differences were incurred, or, as the bankers say, the net result of exchange-rate differences was negative. Under such conditions, when exchange-rate differences are increasing very rapidly, the banks are compelled, in accordance with the Law on Foreign Exchange Transactions, to pass them on to OOUR's or other juridical persons by the appropriate legal action. It follows from this that this will accentuate even more the nonuniformity in distribution of exchange-rate differences among OOUR's.

[Question] How does this procedure for bearing the exchange-rate risk affect the rise of prices and stabilization? Who feels the consequences of that the most?

[Answer] We have established that this procedure for bearing the exchange-rate risk puts a direct burden on the income of associated labor as a whole, but it burdens the income of OOUR's unevenly. Beyond that, it adversely affects the policy of stabilization in the economy, detracts from the economy's material position, and tends to push up the prices of certain products onto which these exchange-rate differences have been passed.

As we have said, the growth of negative exchange-rate differences is continuing this year. At the same time, there is also an increase in their adverse impact on the income earned by OOUR's. That is why the unevenness in distribution of exchange-rate differences among OOUR's will be manifested still more.

In this situation the greatest burden will be borne by OOUR's which are importing priority products (petroleum, raw materials, wheat, coffee and miscellaneous industrial supplies) and which do not have their own foreign exchange.

Positive exchange-rate differences will be realized by those who hold foreign exchange and who are "hoarding" it in this situation; that is, they are preserving it either to realize the positive exchange-rate differences or, more accurately, to realize income not based on labor.

[Question] Exchange-rate differences should be borne by the economy, but are there better solutions than those so far in effect?

[Answer] It is clear that exchange-rate differences should be borne by the economy, but the question is how and whether this burden is uniformly distributed. That is, instead of burdening the income of OOUR's, we feel that under the conditions dictated by the present Law on Foreign Exchange Transactions, the exchange-rate differences should be charged to the operating expenses of OOUR's.

A solution has to be found. Aside from the steps which the banks are taking, and which have proven to be inadequate to resolve the problem, measures that would change the system are also indispensable. We cannot allow associated labor to lose joint income which it would put to good use for expanded reproduction of plant and equipment (for example, four nuclear power plants like the one in Krsko might be built with the funds used so far to cover exchange-rate differences).

The most logical solution would be to eliminate this kind of occurrence of exchange-rate differences. In our opinion this would be achieved if when there is an inflow of foreign exchange, the foreign currencies are immediately sold on the market, and the OOUR's would immediately obtain the equivalent value. This would not affect the disposition of foreign exchange by OOUR's in accordance with the Law on Foreign Exchange Transactions. That is, in issuing payment orders OOUR's would post the equivalent value in dinars, that is, they would buy the foreign exchange which is at their disposition at the current daily rate of exchange. This would help to combat juggling with foreign currencies, and the question of stimulating exports would be resolved by the appropriate export incentive policy, that is, the realistic rate of the dinar's exchange would be obtained at the moment of export, rather than subsequently through trade or the holding on to of foreign exchange.

[Question] In all of this is someone earning income without labor?

[Answer] We want to especially emphasize that as the legislation stands now it is the OOUR's with bonded warehouses that figure as the holders of foreign exchange, and they realize the positive exchange-rate differences solely because the foreign exchange transactions are conducted through their accounts. This makes it possible for them to earn extra profit or, more accurately stated, income without labor.

Likewise, in our opinion the foreign exchange of foreign nationals, both natural and legal persons, should not be converted to dinars, but should be held in external accounts and assigned exclusively to foreign exchange lendings. In this way exchange-rate differences would still be distributed among OOUR's, but the unevenness in distribution of the burden would be avoided, as would the direct charge to their income, various types of juggling would be eliminated, as would the rise of the prices of certain products and the blow that means to income.

7045

CSO: 2800/335

NEW REGULATION INCREASES CUSTOMS FEES

Belgrade BORBA in Serbo-Croatian 18 Mar 82 special supplement pp 1-3

[Article accompanying the new schedule of item values assigned for customs purposes: "All You Need To Know About the New Customs Duties"]

[Excerpt] Imports More Expensive

The new schedule of item values assigned for customs purposes took effect on 27 February of this year. The item values assigned for customs purposes increased an average of 30 percent over the same price list issued last year. This customary annual adjustment of customs values, that is, of the base used for calculating the ad valorem duty, to prices on foreign markets will certainly have an effect put on the pocketbook of the domestic traveler or tourist.

The new schedule of item values assigned for customs purposes applies to goods when individuals import or carry in articles from abroad, or they are sent in by mail, rail, or some other means of transportation. The amount of the duty on articles which have not been given in this list is to be ascertained by an appraisal on the basis of prices on the market of the product's country of origin, to which are added average shipping and delivery costs to our border.

Imports have become more expensive under this new schedule. After the reduction of the amount of dinars which can be carried in or out of the country and also the 200-dinar exemption from payment of duty on articles which an individual carries on each entry from abroad, we can anticipate fewer tourist and "shopping" trips by our citizens abroad.

This will certainly tend to reduce the uncontrolled "outflow" of the dinar and its exchange abroad below its realistic rate of exchange, a reduction of the foreign exchange carried out and further constructive developments toward stabilization of our economy.

Carrying Dinars in and out of the Country

The amended decision of the Council of Governors of the National Bank of Yugoslavia on carrying dinars in and out of the country has been in effect since

1 January of this year. In 1982 a Yugoslav or foreign national may carry a maximum of 1,500 dinars over the border on the occasion of his first exit or entry into Yugoslavia, and on each subsequent exit or entry during the same year he has the right to carry no more than 200 dinars, and that always in denominations of 100 dinars or less.

If on their first departure abroad from our country individuals are carrying more than 1,500 dinars or more than 200 dinars on each subsequent exit, they must deposit the surplus dinars at the border crossing with an authorized exchange office. The surplus dinars will be returned to them upon their return to Yugoslavia. If a Yugoslav national is carrying more than 200 dinars on his first [sic] crossing of the border, the money will be temporarily confiscated and an appropriate receipt issued. The fate of the money temporarily confiscated is decided by the Foreign Exchange Inspectorate of the Federal Secretariat for Finance. The traveler may even be fined if he attempts to carry dinars in or out of the country in a way which is not permitted.

Restrictions on Importing, Carrying in and Receiving Goods From Abroad

Importation of goods by private individuals is monitored by the government, and individuals are allowed to import goods intended with respect to their purpose and character for their own needs, but not for sale. In addition, there are restrictions on imports from abroad of household appliances.

Yugoslav and foreign nationals who have a temporary residence in our country or are visitors to our country for more than 3 months may import or carry in with them the following, subject to payment of duty and other charges:

a) Articles which serve the personal needs of individuals

Individuals may carry in, import or receive articles from abroad which obviously serve their personal needs and those of members of their family (spouse, children and parents) if they live in the same household. One might enumerate here the following articles as an example of those serving personal needs: clothing, footwear, still cameras, movie cameras, etc.

b) Articles necessary for the household

Articles intended for use in their own household may be treated in two ways. There are some articles which an individual may import from abroad without any sort of restriction, subject to payment of duty (small tools, certain parts for motor vehicles, carpets, furniture, typewriter, etc.) when the amount being imported conforms to the individual's need for his own household, while the importation of other household articles is restricted.

1. Household articles whose importation is restricted

Individuals may not import directly from abroad the following household articles: radios and other audio equipment (tape recorders, dictating machines, phonographs, cassette recorders, stereo equipment, etc.), whose individual value exceeds 6,000 dinars; washing machines, driers, machines for ironing

laundry, dishwashers, refrigerators, television sets, kitchen ranges, air conditioners, vacuum cleaners and outboard motors.

Accordingly, individuals may not import these articles from abroad even if they wish to pay the duty and other import charges. It needs to be stressed that the ban on radios and other audio equipment applies only if their value exceeds 6,000 dinars, while those whose value is less may be imported subject to the payment of duty and other charges. However, this value limit of 6,000 dinars does not apply to other household articles which may not be imported or carried in from abroad, which means that an individual could not import a vacuum cleaner, kitchen range or any other appliance even though the individual value of some of them is less than 6,000 dinars.

Since it is prohibited to import these articles directly from abroad, individuals have an opportunity to import them when they buy them from an organization of associated labor representing a foreign firm or maintaining a bonded warehouse of foreign goods in Yugoslavia or when they purchase them abroad through an organization of associated labor registered to engage in import and export transactions.

ii. Workers temporarily employed abroad and the importation of household articles

Workers who have been employed abroad for 1 year without interruption and who are moving to Yugoslavia for good may import household articles without these restrictions, but subject to duty. (A customs benefit of exemption from duty is granted to those workers who have spent 2 years or more employed abroad.)

As for those who are not moving to our country permanently, they may carry into Yugoslavia articles worth 10,000 dinars; when, for example, they come to Yugoslavia to visit their family, on their vacation, and so on, they may once a year bring in goods worth 5,000 dinars which are exempted from payment of duty.

Imports of Goods by Individuals Necessary for Practicing an Occupation on the Basis of Self-Employment

a) For farmers

Farmers may import agricultural machines and implements needed for their personal work subject to duty and in amounts necessary for one farm and provided the individual value of the piece of equipment, machine or other device does not exceed the amount of 300,000 dinars. A tractor, planter, plow, hiller, mowing machine, etc., as well as spare parts for them, are examples of what are considered to be farming machines and equipment.

If an individual attempts to import an agricultural machine whose value exceeds 300,000 dinars, he would have to return it abroad within a period ranging from 48 hours to 8 days or relinquish it to the government since he has no right to import it. The total value of all machines, equipment and devices a farmer imports has not been limited by the regulations, but customs authorities

will take care that all the equipment imported is needed by a specific farm household.

b) Other types of self-employment

Individuals who are self-employed may import, carry in or receive from abroad equipment they use in the activity in which they are self-employed. Here two restrictions are provided for:

1. that this equipment may be imported in the amount that serves for performance of a particular occupation or particular activity, and
2. that the individual value or value assigned to the equipment for customs purposes (machines, appliances, devices, tools, etc., and spare parts for them) not exceed the amount of 120,000 dinars. The total value of equipment which an individual who is self-employed (in a craft or trade, hostelry or tourism, or other activity) [may import] is not limited, but customs authorities must take care that it be needed in that amount for performance of the particular activity.

Conditions on Importation and Transfer

Farmers and self-employed persons may import farm machines, tools, machines, devices or equipment after submitting to the customs authorities a certificate from the competent agency of the opstina assembly where they have their domicile or residence to the effect that they are engaged in the particular activity.

Should the persons indicated above wish to transfer the imported equipment and machines, they must report this to the competent opstina agency within a period of 30 days from the date when the transfer is made.

Customs Clearance of Goods in Passenger Traffic

Cursory and Regular Customs Procedure

Import charges are collected on all goods which travelers bring in from abroad, import or receive except in the case of goods exempted from the payment of duty and goods carried in temporarily.

Under customs regulations two procedures are envisaged for customs clearance in international passenger traffic: cursory and regular customs procedure.

Manner of Ascertaining Value--The Schedule of Item Values Assigned for Customs Purposes for Articles Which Individuals Are Carrying

In the case of articles which a Yugoslav national is carrying, importing or receiving from abroad, the customs officer must in customs clearance of imports establish the value assigned for customs purposes in order to be able to compute the corresponding amount of charges to which the goods are subject in customs examination. The customs officer determines the item value assigned

for customs purposes from the schedule of values assigned to goods for customs purposes pertaining to goods which Yugoslav and foreign nationals import or receive directly from abroad. In the case of items whose value is not given in the schedule, the customs officer will determine the value by appraisal on the basis of current prices on the market of the country of origin, to which the average costs of shipment and delivery to the Yugoslav border are added. This determination of the value for customs purposes on the basis of appraisal is based on current prices in the country of origin on the individual purchases of the individual, plus the average costs of shipping and delivering such goods to the Yugoslav border. In estimating the value of a commodity being imported, customs officers will use for this purpose prices from foreign catalogues, prospectuses, price lists, invoices, etc., and when the value is assigned for customs purposes, acknowledgement shall be made for the usual rebates, discounts, exemptions from domestic taxes and the like, when the traveler submits evidence to that effect or this is known to the customhouse.

Determination of the Value of a Used Item for Customs Purposes

Customs regulations provide that if used or worn goods are submitted for customs examination the value assigned for customs purposes shall be determined by deducting from the normal price of goods of the same kind the appropriate percentage to account for wear. The regulations do not set a limit on that percentage.

In the case of imported machines, appliances and devices which have been used and for which the time of use can be established in customs procedure, the value for customs purposes shall be established by applying a reduction of 20 percent to the value of the commodity when new for customs purposes for each year it has been used: if the individual value of the commodity does not exceed 30 dinars, then the value of the used commodity for customs purposes is established by the customs officer himself, and if the individual value of the commodity does not exceed the amount of 30,000 dinars, or if the customs officer cannot himself ascertain the percentage of wear, the customhouse will in that case set up a special commission which will ascertain the percentage of the item's wear. If the value of the item exceeds 50,000 dinars, the finding of the commission on the item's wear shall in that case be entered in a separate record. That record shall be appended to the customs declaration.

Import Charges Which We Pay at Customs on New Goods

We present numerous examples of the accounting charges on a number of commodities contained in the schedule of item values assigned for customs purposes. Customs officers determine the amount of charges on the basis of the value of the item expressed in dinars, which they obtain from the special schedule of item values assigned for customs purposes as shown in the table below (Column 3). The sum of all the charges paid on individual items at customs are given in Column 4.

[Approximately 7 pages of commodities are listed; and exemptions noted for certain workers returning from abroad and for diplomatic personnel.]

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CSO: 2800/325

FAILURES OF ADMINISTRATIVE PRICE-SETTING EVIDENCED

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1627, 7 Mar 82
pp 8-10

[Article by Scepan Rabrenovic: "Accounts and Politics"]

[Text] At the press conference held on Monday we put this question to Anton Polajnar, president of the Federal Community for Price Affairs:

"You have been speaking the whole while as a politician rather than as an economist. Does that mean that you also feel that prices are more a political matter and less than economic one?"

Here is Anton Polajnar's answer:

"That is not my feeling. But economic policy measures are one thing and conscious discipline in carrying out social compacts and self-management accords, which presumably have not been signed just out of politeness, is something else."

He is certainly right about that, but it is a fact that in carrying out price policy preference is being given rather to conscious discipline than to economic measures. There is an abundance of evidence to this effect. In communities for price affairs decisions are made by majority vote, and at the same time economic criteria are not honored, and indeed what was previously agreed on is often not respected. After the meetings the delegates often boast that they have voted for one price and voted against another.

Which probably accounts for the communique from the meeting of the Federal Executive Council last Friday, which went like this: "The Federal Executive Council seriously warns that failure to abide by the agreed procedure concerning compulsory cooperation in the changing of prices could have considerable adverse consequences for carrying out the policy of economic stabilization and of maintaining the projected rate of inflation for this year. The announced price rises of electric power, coal and certain other products and services did not result from that kind of procedure."

And it goes on: "In the judgment of the Federal Executive Council, this kind of situation in the price field objectively encourages excessive and

uncontrolled growth of prices, which later could not be returned within the limits agreed on. The Federal Executive Council has therefore decided to regularly inform the Chamber of Republics and Provinces of the SFRY Assembly on every case of violation of the agreed price policy."

Of the economic measures which have been undertaken Anton Polajnar cited in the press conference mentioned the decision adopted to import 400,000 tons of corn, and he made it known that a regulation is being prepared on maximizing the prices of livestock feed, that the foreign exchange will be furnished to import the most important production supplies and that thought is being given to rebates on manufactured fertilizers.

The soundness of these measures cannot be denied, but it also cannot be denied that their impact will not be far-reaching, since they have the earmarks of ad hoc and temporary measures, and this ad hoc approach has not been the exception, but the rule, in the conduct of economic policy. Had the decision to import corn been taken at harvest time, the barns would not be full of corn as they are now. Or another line is possible: If restrictions had been removed from the import and export of corn, we would now have more of it, it would be cheaper, and then we would not have to adopt the decision to maximize the prices of livestock feed. After all, in this case both the farmers and stockmen would have to be mindful of business considerations. This way, they can try to outwit the government, that is, to call upon the government to define their economic position. But that is done in such a way as to protect now certain parties and now others.

Threats and Discouragement

Yet one thing is certain: It is not easy for the Federal Executive Council. It committed itself to the policy of stabilization and received support for that commitment. In both the resolution for this year and in the social compact on price policy it is stated that retail prices this year must not rise more than 15 percent.

That 15 percent was not a "rough guess," nor was it some average obtained with a slide rule. The people in the Federal Executive Council simply calculated all the things that could happen to us if retail prices this year increased by more than 15 percent. In that case exports would be smaller than projected, since there would be less interest in them; for every percentage point that prices rise in excess of 15 percent, says Spasoje Medenica, director of the Federal Bureau for Planning, 3 billion will be needed to stimulate exports.

Or: If prices this year increase, say, by 25 percent, another 30 billion will be needed. Funds on that order can be found only by an additional tax, and that means a new burden on the economy, which in turn would increase costs and exert pressure on prices. And thus round and round.

High prices, then, threaten even more the already threatened standard of living. (Over the last 2 years the standard of living has dropped about 13 percent.)

In addition, "there is nothing so bad that inflation cannot make it work." After all, inflation not only devalues the results of work, it discourages people.

And in the first 2 months of this year, as far as inflation is concerned, there has been quite a bit that is discouraging. Not a day passes without some price rise. All right, we counted on price rises within the limit of the 15-percent rate. However, the price rises are not adhering to the agreement. Anton Polajnar told newsmen last Monday that it had been envisaged that about 60 percent of the projected opportunities for higher prices in this year would be "spent" in the first half of the year, but it could happen--if the trend continues, that about 50 percent of the envisaged inflation would be "spent" in 3 months. (The rise of prices is usually greater in the early months of the year.) This means that over the next 9 months very little room will be left for expansion. The fear in the Federal Executive Council is precisely that that room will not be sufficient to accommodate all the remaining "planned" price rises.

Which accounts for so many admonitions about disciplined behavior.

Unstopped Holes

Yet commitments are one thing and what we usually refer to as the "objective situation" is something else. And objectively what is now happening on the market might in fact have been expected, since there are a number of gaps through which prices can pass almost without hindrance. The largest of these gaps is the balance between supply and demand: There is still more money than goods, though this is the third year now that real personal incomes have declined. In practice this means that there are still some unstopped holes through which money can go for consumption.

Those unstopped holes might first of all be government and social service expenditure, but also investments, the kind that we have had. Certainly those holes still exist, and until they are stopped up, the situation will continue the same.

The large exports will certainly have an impact on the imbalance between supply and demand. To go back a bit, we committed ourselves to increasing exports this year by 8.5 percent. And that while the social product would increase 2.5 percent and industrial output 3.5 percent. We must export, export as much as possible, because of the troubles heaped on us by the larger deficit in the balance of payments. This commitment, however justified it may be, cannot be met without paying the price on the other side.

This appeal for responsibility and discipline is an attempt to avoid that payment. It is constantly being stressed that people want to cover a great many inefficiencies with higher prices, that utilization of capacity is low and that productivity is about one-third of productivity in the advanced countries. There are quite a few people, not only economists, who say that the situation is the way it is precisely because we look for political solutions to economic problems, that is, because the influence of the government is

still dominant--not only in the price field. Meanwhile, government prices do not distinguish between producers, do not allow them to be better or worse, but averages them out. Thus the government becomes a partner of the economy, and all the businessman's business acumen then comes down to convincing the government what a hard time he is having. And it is certain that without competition in the country exports will be no more than a patriotic duty.

Government Shortages

Spiro Galovic said a few days ago in a meeting of the Central Committee of the League of Communists of Serbia that we face a wall of contradictory economic policy measures and that "shortages are an inevitable phenomenon in administratively guided economies." Therefore, Spiro Galovic went on to say, we dare not lose sight of the long-range aspect of the solutions which are being proposed and adopted: "that is, over the long run the problems can be solved only if we reinstate the value of certain ideas which have to some extent been forgotten, but which were our premises in developing self-management, only if we return to the producer's motivation as the principal instrument for material and social progress. It is time to cut more deeply into everything that is pressing down upon the motivation of the producer, that is passing every loss on to the entire society, that is leveling out work and idleness, responsibility and irresponsibility. The causes of these things are in large part those same causes which are taking us toward barter transactions, which are evidently becoming part of our economic life."

If all that is so, and it is, why, then, are prices more a political than an economic category?

This question was answered by Spasoje Medenica: "In the present situation prices can be only a political category, and that will be the case until market criteria operate in the conduct of economic activity, that is, until we have economic laws, we will not have economic prices."

But why in practice do we not honor economic laws?

Why the Thermal Electric Power Plants Are "Silent"

That is another story, Spasoje Medenica replied, and it might briefly be put this way: We have mechanisms in the system which objectively do not allow economic laws to take hold.

And it is precise. The lack of respect for market criteria in the conduct of economic activity, no one disputes that any longer, that has brought us to this kind of dependence on imports, since we have had a price policy which did not stimulate development of production of food, domestic raw materials and energy. However, in all the documents on development adopted in recent years it is precisely food, domestic raw materials and the fuel and power industries that have been proclaimed as priorities. And what happened? What happened is that those are precisely the industries that have been lagging most behind.

The Serbian Republic Community for Prices certainly made a mistake when it granted price rises of 20 percent for electric power and 25 percent for coal. This decision goes against the agreement adopted on price policy this year. Which is presumably why the press conference on Monday became a kind of trial of that community. And the Federal Executive Council explicitly criticized the decision of the Serbian Community for Price Affairs in its communique.

Everything would, of course, have been different if previous agreements had been respected, that is, if we had been developing coal production in our price policy and other measures. But we have not. The situation in underground mines is worse than desperate: The losses and manpower shortage are traditional. It is said of the miners in these mines that they are blacker than the coal; some of the mines in Serbia are still operating with equipment bought at the end of the last century.

Yet on the other side the people in Belgrade have been shivering because of the lack of coal, and these days we are often left in the dark because of the lack of power, though we have enough generating capacity, but lack the money to import the fuel oil, so that some thermal electric power plants are "silent."

Which accounts for the question: Can there be a redistribution within the 15-percent rise of prices to the advantage of those activities we have proclaimed to be priority industries? It is said that this is not possible, but if that is really so, it means that we have declared them to be priorities for no real purpose? So it seems. After all, how otherwise to explain that even last year, when prices rose about 40 percent, we did not correct all the injustices in primary distribution and did not go further than agreements in actually improving the economic position of priority industries?

It is true that there are also cases like this: We have more headaches because certain prices are low than we would have if they were high. For instance, the debatable proposal in recent days about raising rent 20 percent. It is well known that rents are not at the economic level, that the rent for a 3-room apartment averages about 700 dinars a month, and that at those rents new buildings cannot be paid off even in 400 years. And it is known that every year the economy sets aside almost more money for housing construction than it invests in new capital assets.

The people in Belgrade have been excited in recent days because of the proposal to introduce an optional local contribution which is supposed among other things to solve the problem of the water supply, though it is well known that only 5.25 dinars are paid for 1,000 liters of water. An ordinary peasant well, with an ordinary pump, could not be amortized even in 50 years at that price.

And again: A few days ago the decision was published on raising the price of meat and, wonder of wonders, pork and baby beef increased more than veal. So, with veal we are protecting the standard of living, and here is the bill which has for years now been presented to us because of that: 37 percent of all the beef cattle slaughtered every year are calves. In the United States of America calves comprise only 3 percent of all the beef cattle slaughtered.

The Story of the Hot Potato

Dr Zoran Pjanic, a professor and well-known Belgrade economist, said in a recent interview in our office that anyone making a decision on price policy during an inflationary period is always holding a hot potato in his hand. He went on to say that it would be normal for this hot potato to be in the hands of those who are producers and that they ought to share the burns with the market: That is the way it is in every normal economy, since the one who sets the prices should also have to bear the consequences.

It is obvious that that hot potato is now in the hands of the Federal Executive Council. It is certain that they would be glad to pass it to someone else's hands, but it seems to me that the burns would then be still more painful. It seems that they have been left no alternative. And all of that is because of the accounts which have been run up for years, and only now has the bill been presented.

It could be worse: if paying the bill is put off by the same methods which have been used in postponing it up to now.

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CSO: 2800/320

STATUS OF COMPUTER USE, PRODUCTION IN SLOVENIA

Zagreb VJESNIK in Serbo-Croatian 27 Mar 82 SEDAM DANA pp 5-6

[Article by Ratko Boskovic: "Computers by Force of Law"]

[Text] Toward the end of last year the Executive Council of the Slovenian Assembly adopted a Law on Compulsory Conclusion of an Accord by Slovenian Computer Manufacturers. This very month a referendum will be held in Iskra and Delta on their entry in association, and Gorenje is also joining in the accord. In 4 months 10 years of disunity have been compressed into an agreement.

In Slovenia at the moment there are 315 electronic computers in use. They include 225 small ones, 68 medium sized and 22 large ones. Over the last 3 years the greatest increase has been in the number of small computers, most of them domestic computers manufactured by Iskra or Elektrotehna-Delta. Domestic computers also comprise about 20 percent of the medium-sized group, but not a single large one has been manufactured in Yugoslavia. According to the assessments of users, the value of these machines and their software is about 3 billion dinars. Part of the equipment is leased, which costs about 300 million dinars a year, and within that about \$8 million American.

For an area the size of SR [Socialist Republic] Slovenia this is a large computer potential. Its value would be even greater had the equipment not come from as many as 16 different foreign and 3 domestic, also incompatible, manufacturers. Probably in line with this tradition, those three commercial manufacturers and several potential Slovenian manufacturers have offered a still larger number of mutually productive programs than foreign manufacturers have managed to thrust into little Slovenia: about 20 in all. For instance, parts of the computer manufactured at Delta can be plugged into Iskra's computers, but not vice versa.

This situation in Slovenia is only a fragment from the overall situation in the production and use of electronic computers in Yugoslavia. That is why the number of different foreign computer systems installed in our country runs to several dozen. There are a multitude of representatives and importers of different foreign manufacturers, and all of some 30 enterprises are trying to sport the nice-sounding title "computer manufacturer," though in their line of business they are nothing other than merchants, agricultural organizations, wood processors or heavy machine manufacturers.

A Program for the Community

Efforts to reduce ambitions to one or at least a few realistic programs have been going on unsuccessfully in Yugoslavia for more than 10 years now, but since 1978 they have been formally articulated in the Economic Chamber of Yugoslavia. The first version of the social compact among "computer equipment manufacturers" in Croatia was achieved, again way back in 1978, within "Impuls," the association of electronic manufacturers. But even today all those efforts have amounted to no more than endless editing of the different versions of the agreement, and those 30 or so manufacturers and "manufacturers" have continued to rush headlong to ruin, led by their short-term profiteering calculations.

An end has definitively come to this kind of behavior just recently in Slovenia. Toward the end of last year the Executive Council of the republic Assembly passed the Law on Procedure for Mandatory Conclusion of an Accord Among Manufacturers in the Field of Computers on the basis of Article 51 of the constitution, under which an activity of particular public interest can be regulated by law. The computer industry was granted the status of an activity of particular public interest in Slovenia under the Agreement on the Bases of the Social Plan of SR Slovenia for the Period 1981-1985. Responsibility for implementing the law was placed upon Iskra, Elektrotehna-Delta, and Gorenje, and then toward the end of this month the referendum will be held in Iskra and Delta in which the working people will take a position on Delta's withdrawal from the SOUR [Complex Organization of Associated Labor] Elektrotehna and its inclusion in the SOUR Iskra. Gorenje will join that compact on the basis of a self-management accord. A favorable outcome of the referendum would signify commencement of work under a joint program for production of a line of computers in Slovenia. The manufacturers are required to submit a report on everything that has been done to the Executive Council of the Slovenian Assembly in a session scheduled for 8 April, so that 10 years of indolence and disunity have thus been brought to an agreement by force of law in just 4 months.

In Slovenia, it seems, the necessary critical mass has been reached of scientific potential, personnel, manufacturing and financial capabilities, production know-how, organization, realistic programs, concrete results and an awareness of the importance of manufacturing one's own computer. Slovenia completed this original coming together of favorable circumstances for unifying the production of computers, a process through which Yugoslavia as a whole is just now passing, by and large by trying out three conceptions: Delta's, Iskra's, and the conception of organizations which are no more than agents of foreign firms, like Intertrade and Birostroj of Maribor.

The Three Slovenian Formulas

Delta evolved from an agent (which it is in part even now) to a manufacturer thanks to the knowledge it acquired and which today is incorporated in the form of the operating system [literally "system program support"] made up of domestic and foreign components. Delta specialists have also expanded their knowledge in the field of operating systems into the field of programs and training so that Delta has become one of our leading producers of software.

Iskra is a traditional manufacturer of power equipment with huge financial and personnel capabilities and the modern corporation's adaptability to new developments in the world. With its strategic commitment to electronics, Iskra has invested most in the foundation of modern electronics: microelectronics. So far it has invested between \$2 and \$3 million just to equip the Microelectronics Laboratory at the School of Electrical Engineering in Ljubljana and in the equipment for the first phase of the integrated semiconductor circuit plant at Stegne. At the same time Iskra has been organizing the production of the medium-sized Iskradata business computer system, and also the Cyber 18 and ITT 1600 and ITT 3200 under license.

Gorenje has organized the production of the medium-sized B-90 and B-1900 systems under a license from the American manufacturer Burroughs and has been developing an asynchronous terminal, with which it has not achieved significant business results. The other, fourth, real manufacturer of computers in Slovenia is the Jozef Stefan Institute with the Mikro/M system, intended mainly for computer control of Gorenje's machines and robots.

All of this production has suffered from pronounced shortcomings, unsparingly enumerated in the case which was made for adopting the Law on Mandatory Conclusion of an Agreement Among Slovenian Computer Manufacturers. It took place without any sort of mutual business ties among the manufacturers, production programs were duplicated, there was a marked dependence on imports, inadequate orientation toward foreign markets, personnel and research potential were divided (and there was even unloyal competition), R&D facilities were scanty, it was based on unpromising licenses, and there was no basis for series production....

Nevertheless, Slovenian computer manufacturing did develop, equally in all fields, over a rather broad range, so that should it be united, it could cover the entire chain of computer production from design, production and development of integrated semiconductor circuits to the marketing and maintenance of computer systems, software production and the training of personnel. This combination will have still more favorable relations in the future, when the share of the value of the machines themselves in the total cost price of computer systems drops still more compared to the value of the knowledge and ability to keep pace with the world.

"Science" and "Government"

The impetus for adoption of the law came from the Executive Council of the Slovenian Assembly, but it took long years for awareness of the need for this step to mature. "We often complain that we have poor connections between 'science' and 'government,'" says Erik Vrenko, Slovenian deputy republic secretary for science, that is, a representative of "government," "but this time attention was paid to the numerous demands of people in science and manufacturing to the effect that computer production programs had to be unified, especially in view of our present foreign trade situation, import restrictions and the need to go onto foreign markets with products in which more knowledge and labor have been invested. We were also driven to the orientation toward electronics by the fact that Slovenia does not have raw materials or energy, only people and knowledge....

"The economic dimensions," Vrenko says, "in the actual production of computers are small; our ideas of industrialization must undergo a change in this case. Gorenje, for example, which along with Iskra is also orienting toward professional electronic equipment, could not keep all its employees busy with that production.... However, what we are interested in is information engineering, whose market is broadening to unheard-of limits, and large economic benefits can be expected from that. The foundation, the material basis of information engineering is our own knowledge, that is, our own production of computers."

It is no longer necessary to use the terms "revolution" and "overthrow" concerning information science and its importance to the development of society. Computers are also ceasing to be portrayed in the media, to some extent even in our country, as curiosities from the world of science or as material for feature articles on oddities. Yet information science is still looked upon as only a single branch of the infrastructure. People do not realize that it is the fundamental property of electronics (by contrast, for example, with transportation or the fuel and power industry) that it does not support development only from outside, but stimulates it from within, accelerating many times over the turning of every little cog in the machinery of the economy. The orientation toward computerization, even though this is the basis of technological progress, is not penetrating sufficiently to the places where decisions are made on the strategic lines of development of our society, except in Slovenia.

Thus the grounds for adopting the law on mandatory conclusion of an agreement and on the particular public interest in the field of computers were not based solely on the need to put an end to the overlengthy debate concerning formation of an association of computer manufacturers.... "Taking self-management control of social reproduction in the unceasing development of production capabilities, in the progress of technology, and in the assurance of available sources of raw materials and energy depend in large measure on the effectiveness of the information system the conduct of self-management is based on ...," reads the brief presented in support of the law. Many problems of an economic and political nature are precisely a consequence of the ineffectiveness of present information systems, it goes on.

And conversely: An effective information system will speed up the integration of labor to form larger and more productive manufacturing systems (which does not necessarily signify physical integration); computerized management of industrial production increases the volume of output, raises the utilization of means of production, improves product quality, enhances workplace safety.... "Social planning, production programming and synchronization of investments, in the effort to restructure economic activities, will be possible only if we possess all the data and methods to rapidly and completely conceive the expected and possible consequences of every step taken....," the law states.

From Chips to Systems

"Moreover, the law says nothing about how the manufacturers are to be organized so that Slovenia gets computers which will be the basis of domestic information systems," Erik Vrenko says. "The law only states that they must reach agreement and not merely to leave expanded reproduction of computer

production to our small market and invest the funds, in any case small, in several different parallel programs. That certainly leads us nowhere. Consequently, it cannot be said that this law is a conventional case of government intervention."

What have the manufacturers agreed on so far? "Delta would move over to Iskra as a work organization with OOUR's [basic organization of associated labor]," says Rado Faleskini, director of manufacturing at Delta, "while all the workers, as well as the program of Iskra's OOUR 'Computers,' which is now part of the RO [Work Organization] Telematika, would pass over to Delta. All obligations would also be transferred, such as obligations under licenses to CDC for a license which is expiring at the end of this month and will not be renewed. Production would continue in Kranj and in Ljubljana, and that in the field of microcomputer technology. Compatible elements would be produced either on the basis of Iskra's present program, or Delta's program. Delta has given Gorenje complete manufacturing instructions for a synchronous terminal without compensation, but under an agreement that the cost of further development would be covered from sales. We also gave them documentation for the Delta 340 computer. We also worked out a space use plan--Gorenje has much more space available than we do. They have already set aside an entire building, while our entire production is taking place in one basement. It has been agreed that Gorenje will orient itself more toward the production of office equipment."

The imported components in the terminal which will be manufactured at Gorenje and which will be sold in Yugoslavia for about \$4,000, will cost only about \$700. The imported components in the cheaper version will be worth about \$500. The screen (Philips), keyboard and all chips will be imported, but when production begins in the second phase at Iskra's Microelectronics Plant, Iskra's chips will begin to be used. There will be room in the terminal for installation of additional assemblies, and it will thereby be possible to transform it into an intelligent terminal or microcomputer.

All of our parties to the agreement have said that the Slovenian computer industry is open to cooperation with every other electronics manufacturer in Yugoslavia. "We expect Energoinvest of Sarajevo to enter into the Slovenian agreement as well and thus broaden the agreements that already exist with Delta," Faleskini hopes. "Energoinvest is also willing to invest money in the production of components.... We have also been negotiating with TRS [Computer Factory] of Zagreb, which is organizing the production of a line printer, and together with our terminal a small business computer system could easily be put together...."

The only problems that now face the associated Slovenian manufacturers of computer systems are, it seems, difficulties in importing production supplies, which last year, for example, forced Delta to suspend production altogether. We learned from Milos Kobe, a member of SOUR Iskra's business board, that possibilities exist for the Self-Managing Community of Interest for Foreign Economic Relations of SR Slovenia to set aside foreign exchange for the importation of computer components even next month. But foreign exchange represents only one of the problems which Erik Vrenko was thinking of when he replied in

this way to our question on what Slovenia expects from the association of computer manufacturers: "We expect that it will show how capable self-management is of responding to the demands of managerial integration.... Information science is a condition here, and if we manage to achieve that, we will renew the reproductive capability of the Slovenian economy. If we do not succeed, we will end up in stagnation."

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April 27, 1982

